

# Financial Regulations



*Believe, Succeed, Together*

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Date Ratified by Governing Body	
Signature of Principal	
Signature of Chair of Governors	

These regulations are based on a template provided by the Education Funding Agency and supplemented by local circumstances whilst maintaining the integrity of the principles on which the regulations are based. They should be read in conjunction with the EFA Academies Financial Handbook 2015 (statutory and regulatory guidance) and the Funding Agreement.

## Summary of Authorisation Limits as included in the body of these Regulations

### Expenditure Limits

Principal	Up to £30,000
	Between £30,001 and £49,999 subject to the Chair of the Finance and Resources Committee being made aware of and approving the expenditure.
Finance & Resources Committee	Over £50,000

### Virement Limits

Principal	Up to £30,000
	Between £30,001 and £49,999 subject to the Chair of the Finance & Resources Committee being made aware of and approving the virement.
Finance & Resources Committee	Over £50,000

### Writing off bad debts

All require approval of the Finance & Resources committee or the Secretary of State if the value is in excess of that set out in Section 5.

### Disposal of Surplus Stock, Stores & Assets

Principal	Up to £2,000
Finance & Resources Committee	Above £2,001
Secretary of State	Disposal of freehold on land or buildings and heritage assets

### Petty Cash Imprest

£600

### Ordering Procedures

Competitive Quotations in writing	Between £1,000 and £9,999
Tendering procedure	Over £10,000

### **Emergency Building Repairs**

Duty Caretaker (EMERGENCIES ONLY)	Up to £1,000
Business Manager (EMERGENCIES ONLY)	Up to £5,000
Principal	Up to £30,000
	Between £30,001 and £49,999 subject to the Chair of the Finance & Resources Committee being made aware of and approving of the expenditure.
Finance & Resources Committee	Over £50,000

Please note that financial records must be retained for six years plus the current year.

**These limits are taken from the financial regulations that were approved by the governing body**

**on: 2<sup>nd</sup> December 2015.**

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## **1. Introduction**

1.1 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 the funding agreement with the Department for Education (DfE).

1.2 The academy must comply with the principles of financial control outlined in the academies guidance published by the DfE. This manual expands on that and provides detailed information on the academy's accounting procedures and systems. This manual should be read by all staff involved with the financial systems.

### **Main Financial Requirements**

1.3 Funding Agreements vary slightly from academy to academy but the main conditions and requirements of grant are the same for all academies and include:

#### **Financial Systems**

1.4 Financial controls must conform with the requirements of both propriety and good financial management;

1.5 Proper accounting records must be maintained and retained for six years after the end of the period to which funding relates.

#### **Budgeting**

1.6 The academy must prepare annually a balanced budget which has been approved by the full governing body. It may draw on unspent funds brought forward from previous years. The governing body must minute their approval;

1.7 A budget forecast for the coming financial year must be submitted to the EFA in a form specified by the EFA by a date to be notified.

#### **Annual Accounts**

1.8 An annual report and financial statements must be prepared for each period ending 31 August and independently audited by a statutory auditor;

1.9 The report and financial statements must record the academy's accounting policies which must be approved by the governing body;

1.10 The report and financial statements must include an accounting officer's statement on governance, regularity, propriety, compliance and value for money;

1.11 The report and financial statements must include details of the academy trust's governance arrangements;

1.12 The audited financial statements and accounting policies must be submitted to the Secretary of State by 31 December following the end of the accounting period;

1.13 The audited financial statements must be published as required by the Companies Act and must be filed with Companies House within 9 months of the end of the accounting period. On 1<sup>st</sup> August 2011 Academy Trusts became exempt charities and are no longer required to submit annual financial statements to the Charity Commission. To maintain transparency and openness Academy Trusts must publish such documents on their own website;

- 1.14 Statements of income and expenditure and balance sheets may be produced in such form and frequency as the Secretary of State may from time to time reasonably direct.

### **Audit**

- 1.15 Annual accounts must be audited by independent, registered auditors appointed under arrangements approved by the Secretary of State. The appointed auditor must certify that the accounts represent a true and fair view of the academy's financial performance and position.
- 1.16 The contract for audit must be in writing which must take the form of a letter of engagement. The letter of engagement must provide for the removal of the auditors. Proposals to remove the auditor requires a majority vote of the members of the governing body. The EFA must be notified immediately of the resignation or removal of the auditors. In the case of resignation, the auditors must copy to the EFA a statement for their reasons. If the academy purchases additional services these must be covered in a separate letter of engagement which must specify the requirements and fees to be charged;
- 1.17 A review of the accounting officer's statement must be included within the remit of the external auditor. The EFA will draw formal assurance from the regularity audit;
- 1.18 Books, accounts and all relevant records must be made available to officials of the DfE and the National Audit Office (NAO) and their representatives and/or agents as requested. The NAO's findings are considered by the Public Accounts Committee who have the power to call anyone, including past and current accounting officers of the academy, to account for the proper use of public funds;
- 1.19 The Secretary of State may, at his expense, instruct auditors to report to him on the adequacy and effectiveness of the accounting systems and internal controls and to make recommendations for improving the financial management of the academy.

### **Insurance**

- 1.20 The governing body must ensure the academy has adequate insurance cover to support its activities and to comply with statutory requirements, or has opted into the academies risk protection arrangement (RPA).
- 1.21 For risks not covered by the RPA (motor, engineering insurance and inspection, overseas travel) the academy should determine its own level of cover;
- 1.22 If the academy does not opt-in to the academies RPA it should determine its own level of cover ensuring adequate cover is in place and is compliant with the academy's legal obligations.

### **Borrowing**

- 1.23 The academy must seek the Secretary of State's approval for both short term borrowing (including finance leases and overdraft facilities) and medium/longer term loans from the private sector (including finance leases), where such borrowing is to be repaid from DfE grant or secured on assets funded from DfE grant. However the Secretary of State's general position is that academies will only be granted permission for borrowing in exceptional circumstances or when limited schemes are introduced to meet broader policy objectives, for example the Salix scheme designed to support energy savings and the Department's Condition Improvement Fund for capital projects. Credit card balances must be cleared before interest accrues;
- 1.24 As an exception the academy's Funding Agreement may permit borrowing prior to opening, or as a direct consequence of the Secretary of State's failure to make agreed payments of grant to the academy on time.

## **Novel and / or contentious transactions**

1.25 Novel payments or other transaction are those of which the academy trust has no experience, or are outside the range of normal business activity. Contentious transactions are those which might give rise to criticism of the trust by Parliament, and/or the public, and/or the media. Novel and/or contentious transaction must always be referred to the EFA for explicit prior authorisation.

1.26 **The Secretary of State's prior approval is required for:**

- any guarantees, indemnities and letters of comfort entered into;
- write off of debts or liabilities owed to the academy over a specified value as set out in the annual funding letter issued by the Secretary of State;
- any ex-gratia payments over a specified value;
- any freehold sales or purchases; and
- the granting of any leasehold or tenancy agreement, regardless of length;
- the taking up of any leasehold or tenancy agreement for more than 5 years.

1.27 **The Secretary of State must be notified of:**

any loss arising from suspected theft or fraud exceeding £5,000. Any unusual or systematic fraud, regardless of value, must also be reported.

1.28 **The EFA's chief executive must be notified of:**

the vacating or filling of the positions of chair of the Board of Governors, the Principal as accounting officer, the Principal Finance Officer and the appointment of all governors.

## **2. Organisation**

2.1 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 directors and staff. The financial reporting structure is illustrated below:

### **The Governing Body**

2.2 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, the Articles of Association and the Academies Financial Handbook. The main responsibilities include:

- ensuring the grant from the DfE is used only for the purposes intended;
- ensuring that funds from sponsors are received according to the academy's Funding Agreement, and are used only for the purposes intended;
- ensuring proper stewardship of funds received including the three key elements of value for money (economic, efficient and effective use of resources)
- prevention of loss through fraud and irregularity;
- ensuring appropriate action is taken where fraud and irregularity is suspected;
- ensuring that the academy has a business continuity plan which sets out what it would do to ensure the continued operation of the academy;
- ensuring that there is a risk register and the risks arising from the academy's operations are assessed regularly;
- approval of the annual budget;
- appointment of the principal and
- appointment of the principal finance officer, in conjunction with the principal.

2.3 The Governing Body should follow the guidance in the Governors' Handbook which sets out the legal duties.

- 2.4 The Governing Body must be aware of the Charity Commission's guidance for trustees *CC3: The Essential Trustee: What you need to know, what you need to do* and should be aware of the following Charity Commission's guidance:

- CC8: Internal financial controls for charities;
- CC11: Trustees expenses and payments;
- CC14: Charities and investment matters: a guide for trustees;
- CC15b: Charity reporting and accounting: the essentials;
- CC25: Managing charity assets and resources: an overview for trustees;
- CC26: Charities and risk management;
- CC29: Conflicts of interest: a guide for charity trustees;
- CC35: Trustees, trading and tax: how charities may lawfully trade;
- CC36: Changing your charity's governing documents;
- Charities and charity trustees: an introduction for school governors;
- Setting up and running a charity

### **The Finance & Resources Committee**

- 2.5 The Finance & Resources Committee is a committee of the governing body. The Finance & Resources Committee meets at least once a term but more frequent meetings can be arranged if necessary;
- 2.6 The main responsibilities of the Finance & Resources Committee are detailed in the written terms of reference which have been authorised by the governing body. The main responsibilities include:
- the initial review and authorisation of the annual budget;
  - the regular monitoring of actual expenditure and income against budget;
  - ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 1985 and the DfE guidance issued to academies;
  - authorising the award of contracts over £50,000;
  - reviewing the reports of the Responsible Officer on the effectiveness of the financial procedures and controls. These reports must also be reported to the full governing body.
- 2.7 The terms of reference are shown in Appendix B.

### **The Audit Committee**

- 2.8 The academy must have in place a process for independent checking of financial controls, systems, transactions and risks. Ideally this process should be driven by an audit committee but the EFA recognises that this may not be a practicable proposition for all academies. It therefore allows the academy a degree of flexibility to establish either a dedicated audit committee or a committee whose remit included the functions of an audit committee. The programme of risk control and checking can be carried out by:
- the work of an internal audit service (in-house or bought in)
  - a supplementary programme of work by the academy's external auditor;
  - the appointment of a non-employed director with an appropriated level of qualifications and/or experience who is not paid for their work;
  - peer review (ie by a PFO from another academy).

A combination of the above may be used.

- 2.9 The Audit Committee is an advisory body with no executive powers. Its main functions should be to:
- review the risks to internal financial control and agree a programme of work to address, and provide assurance on, those risks;
  - help promote the highest standards of propriety in the use of public funds and encourage proper accountability for the use of those funds;
  - improve the quality of financial reporting by reviewing internal and external financial statements on behalf of the board;

- promote a climate of financial discipline and control which will help to reduce the opportunity for financial mismanagement; and
- promote the development of internal controls systems which will help satisfy the board that the body concerned will achieve its objectives and targets and is operating
- in accordance with any statutory requirements for the use of public funds;
- within delegated authorities laid down by the sponsor department and the public body's own rules on what matters should be referred to the board;
- in a manner which will make most economic and effective use of resources available.

2.10 The terms of reference are shown in Appendix A.

### **The Principal / Accounting Officer**

- 2.11 Within the framework of the academy development plan as approved by the governing body the Principal has overall executive responsibility for the academy's activities including its financial activities. Much of the financial responsibility has been delegated to the Principal Finance Officer but the Principal still retains responsibility for:
- approving new staff appointments within the academy, except for any senior staff posts which the governing body have agreed should be approved by them;
  - authorising expenditure for goods and services with a single item value of up to £30,000;
  - for single items of expenditure with a value between £30,001 and £49,999 the Chair of the Finance & Resources Committee should be made aware of the intended expenditure and approve of its nature;
  - where a single items of expenditure has a value above £50,000 details should be presented to and approved by the Finance and Resources Committee;
  - signing cheques in conjunction with the other authorised signatories.
- 2.12 The academy must designate a named individual as its accounting officer. This should be the Principal. The appointment as accounting officer confers specific responsibilities for financial matters and extends to the prevention of loss through fraud and irregularity. In particular, the accounting officer is personally responsible to Parliament and to the accounting officer of the EFA for the resources under their control.
- 2.13 The accounting officer is personally responsible for regularity, propriety and value for money and must adhere to the 'seven principles of public life'.
- 2.14 The accounting officer has responsibilities for keeping proper financial records and accounts and for the management of risks although this is likely to be delegated to the Principal Finance Officer and/or the Business Manager.
- 2.15 The accounting officer must take responsibility for assuring the Governing Body that there is compliance with the financial handbook, articles and funding agreement. This responsibility must not be delegated. The accounting officer must advise the Governing Body in writing if, at any time, any action or policy under consideration by them is incompatible with the terms of the Financial Handbook or Funding Agreement. Similarly, the accounting officer must advise the Governing Body in writing if the Governing Body appears to be failing to act where required to do so by the terms and conditions of the Financial Handbook or Funding Agreement. If the Governing Body is minded to proceed the accounting officer must consider the reasons given for the decision. If, after considering the reasons, the accounting officer still considers that the action proposed by the Governing Body is in breach of the Financial Handbook or Funding Agreement, the accounting officer must advise the EFA's accounting officer in writing.

### **The Principal Finance Officer**

- 2.16 The Principal Finance Officer works in close collaboration with the Principal through whom he or she is responsible to the directors. The Principal Finance Officer also has direct access to the directors via the Finance & Resources Committee. The main responsibilities of the Principal Finance Officer 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;
- the preparation of the annual accounts, ensuring that they are properly presented and adequately supported by the underlying books and records of the academy;
- the preparation of quarterly management accounts;
- the preparation and monitoring of the budget;
- liaison with auditors; and
- ensuring forms and returns are sent to the DfE in line with the timetable in the DfE guidance.

### **The Responsible Officer**

- 2.17 The Responsible Officer (RO) is appointed by the governing body and provides directors 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.
- 2.18 The RO 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 body. A report of the findings from each visit will be presented to the Finance & Resources Committee. Detailed guidance on the transactions to be checked by the RO is given in Appendix C.

### **Other Staff**

- 2.19 The Business Manager is able to authorise minor building repairs, where they are of an emergency nature, up to a value of £5,000. **An emergency is defined as an unforeseen situation where there is a risk to the academy's buildings or the people in the academy's buildings.** The duty caretaker has a responsibility to make the buildings safe and prevent further damage and is authorised to contact the academy's preferred suppliers in the first instance. In this regard, the duty caretaker has authority up to a value of £1,000. When the emergency is contained and under control the duty caretaker must report to a member of the Senior Leadership Team or the Principal Finance Officer and ensure that the necessary paperwork is completed.
- 2.20 Other members of staff, primarily the Deputy Finance Officer and budget holders, will have some financial responsibilities and these are detailed in the following sections of this manual. All staff are responsible for the security of academy property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the academy's financial procedures.

### **Register of Interests**

- 2.21 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 directors 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 must be kept up-to-date through regular review.
- 2.22 The register should include all business interests such as directorships, share holdings or other appointments of influence within a business or organisation which may have dealings with the academy. The disclosures should also include business interests of relatives such as a parent or spouse or business partner where influence could be exerted over a governor or a member of staff by that person. The register of business interest form is given in Appendix D.

- 2.23 The existence of a register of business interests does not, of course, detract from the duties of directors 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, directors and staff should not attend that part of any committee or other meeting.
- 2.24 There are no payments to directors unless such payment is permitted by the articles. The academy will need to consider this obligation if payment is made to other business entities who employ the governor, are owned by the governor, or in which the governor holds a controlling interest.
- 2.25 The register must identify any material interest arising from close family relationships between the academy's governors and employees.
- 2.26 The academy must publish on its website relevant business and pecuniary interests of directors.

### **3. Accounting Systems**

- 3.1 All financial transactions of the academy must be recorded on the SIMS FMS accounting system. The system is operated by the Finance Department and consists of journals, bank transactions, nominal ledger, purchase ledger, sales ledger and salary ledgers.

#### **System Access**

- 3.2 Entry to the SIMS FMS system is password restricted. Passwords are changed at least every 6 weeks.
- 3.3 Access to the component parts of the SIMS FMS system can also be restricted and the Principal Finance Officer is responsible for setting access levels for all members of staff using the system.

#### **Back up procedures**

- 3.4 The Vice Principal is responsible for ensuring that there are effective back-up procedures for the system. Data should be copied onto tapes, disks or other removable medium and the copies stored in a secure place preferably in a fireproof container. Back-up copies should be taken on a daily basis.
- 3.5 The back-ups should not be recorded on the same medium each time as this results in only one copy being available. In order to provide more protection from the loss of data at least three different tapes, disks or other removable mediums should be used in rotation and stored in different locations. At least one copy should be stored off-site.
- 3.6 The academy should 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 directors of the major risks to which the academy is exposed and the systems that have been put in place to mitigate those risks.

#### **Viruses**

- 3.7 Computer viruses are like biological viruses. They are infectious and can remain hidden but when activated they can have disastrous effects. To protect the computer system from virus attack any new software should be checked for viruses and only installed by the IT Support Team. All servers should be protected by regularly updated anti-virus software. Academy policy restrictions on pupil machines prevent the network from being compromised by disabling write access to the local disk. It is the responsibility of the Vice Principal to ensure that this is done.

## **Transaction Processing**

- 3.8 All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are included in the following sections of the manual. All journal entries must be documented and recorded in the journal book. Bank transactions should be input by the Deputy Finance Officer and the input should be checked and signed to evidence this check by the Principal Finance Officer.
- 3.9 Detailed information on the operation of the SIMS FMS system can be found in the user manuals and finance procedure manuals held in the Finance Office.

## **Transaction Reports**

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

## **Reconciliations**

- 3.11 The Principal Finance Officer is responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:
- sales ledger control account;
  - purchase ledger control account;
  - payroll control account;
  - all suspense accounts and
  - bank balance per the nominal ledger to the bank statement.
- 3.12 Any unusual or long outstanding reconciling items must be brought to the attention of the Principal. The Principal Finance Officer will review and sign all reconciliations as evidence of his/her review.

## **4. Financial Planning**

- 4.1 The academy must prepare a balanced budget for the financial year. This must be submitted to the EFA in a form specified by the EFA by the date to be notified
- 4.2 A medium term financial plan should be 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.
- 4.3 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.
- 4.4 The development planning process and the budgetary process are described in more detail below.

## **Development Plan**

- 4.5 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.

- 4.6 The form and content of the development plan are matters for the academy to decide but due regard should be given to the matters included within the guidance to academies and any annual guidance issued by the DfE.
- 4.7 Each year the Principal will propose a planning cycle and timetable to the governing body which allows for:
- a review of past activities, aims and objectives - “did we get it right?”
  - definition or redefinition of aims and objectives – “are the aims still relevant?”
  - development of the plan and associated budgets – “how do we go forward?”
  - implementation, monitoring and review of the plan – “who needs to do what by when to make the plan work and keep it on course” and
  - feedback into the next planning cycle – “what worked successfully and how can we improve?”
- 4.8 The timetable will specify the deadlines for the completion of each of the key stages described above. Lead responsibility for the completion of each of the stages will be assigned by the Principal.
- 4.9 The completed development plan will include detailed objectives for the coming academic year and outline objectives for the following two years. The plan should also include the estimated resource costs, both capital and revenue, associated with each objective and success criteria against which achievement can be measured.
- 4.10 For each objective the lead responsibility for ensuring progress is made towards the objective will be assigned to an academy manager. The responsible manager should monitor performance against the defined success criteria throughout the year and report to the senior management team on a quarterly basis. The senior management team will report to the governing body if there is a significant divergence from the agreed plan and will recommend an appropriate course of action.

### **Annual Budget**

- 4.11 The Principal Finance Officer is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the Principal, Finance and Resources Committee and the governing body.
- 4.12 The approved budget must be submitted to the EFA by the date notified and the Principal Finance Officer is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.
- 4.13 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.
- 4.14 The budgetary planning process will incorporate the following elements:
- forecasts of the likely number of pupils to estimate the amount of DfE grant receivable;
  - review of other income sources available to the academy to assess likely level of receipts;
  - review of past performance against budgets to promote an understanding of the academy cost base;
  - identification of potential efficiency savings and
  - review of the main expenditure headings in light of the development plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes.

## **Balancing the Budget**

- 4.15 Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where cuts can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and expenditure are in balance. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need. The academy should use its allocated GAG funding for the full benefit of its current pupils. If the academy is accumulating a substantial surplus plans should be in place for how it will be used to benefit the pupils. Where no plans exist the EFA will report its concerns to the DfE.
- 4.16 The Governing Body must notify the EFA within 14 days if it is formally proposing to set a deficit revenue budget for the current financial year, which it is unable to address after funds from previous years are taken into account.

## **Finalising the Budget**

- 4.17 Once the different options and scenarios have been considered, a draft budget should be prepared by the Principal Finance Officer for approval by the Principal, the Finance & Resources Committee and the Governing Body. The budget should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.
- 4.18 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**

- 4.19 Reports, prepared by the Principal Finance Officer, will detail actual income and expenditure against budget at summary level for Cost Centre Managers, the Principal and the Finance and Resources Committee.
- 4.20 Any potential overspend against the budget must in the first instance be discussed with the Principal. The accounting system will not allow payments to be made against an overspent budget without the approval of the Principal.
- 4.21 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.
- 4.22 All virements, including budgetary increases from the EFA are to be formally recorded on the virement Form (Appendix E), sequentially numbered and reported to the Finance & Resources Committee at the next meeting.
- 4.23 Significant changes to the budget must be notified to the EFA.

## **5. Write-offs**

The academy may write off debts and losses, including any uncollected fines up to the limits set out below:

- 1% of total annual income or £45,000 (whichever is smaller) per single transaction;
- cumulatively, 5% of total annual income in any one financial year per category of transaction providing the academy has submitted timely, unqualified accounts for the previous two years. In relation to these limits, the amounts are before any successful

claims from insurers and total annual income is defined as grant income as disclosed in the academy's last set of audited accounts.

These limits are subject to a maximum of £250,000.

Beyond these limits, the academy must seek and obtain prior approval of the Secretary of State, via the EFA.

The academy should always pursue recovery of overpayments and should only consider writing-off losses after careful appraisal of all facts and there is no feasible alternative.

## **6. Payroll**

6.1 The main elements of the payroll procedures are:

- staff appointments;
- payroll administration and
- payments.

### **Staff Appointments**

6.2 The Governing Body will meet to approve the appointment of the Principal, Vice Principal, Assistant Principal, Principal Finance Officer and Business Manager. The Pay Committee delegates to the Principal the power to authorise the appointment of all other staff. All appointments should be in accordance with the Pay Committees Terms and Conditions.

6.3 The Deputy Finance Officer maintains personnel files for all members of staff which include contracts of employment. The Principal must notify the Finance Office, in writing, of all personnel changes.

### **Special Payments - Staff Severance, Compensation and Ex Gratia Payments**

6.4 If the academy is considering making a severance or compensation payment above the non-contractual/non-statutory entitlement of £49,999 it must:

- seek prior approval from the Secretary of State;
- consider whether such a payment is justified based on a legal assessment of the chances of successfully defending a case at a tribunal;
- if a settlement is justified the academy needs to consider the level of the settlement. This must be less than the legal assessment of what the tribunal is likely to award in the circumstances.

6.5 Special staff severance payments are paid to employees outside of normal statutory or contractual requirements when leaving employment whether they resign, are dismissed or reach an agreed termination of contract. If the academy is considering making such payments it must consider the following issues:

- that the proposed payment is in the interest of the trust
- that the payment is justified, based on a legal assessment of the chances of the academy defending the case at an employment tribunal

If the payment is justified the level of settlement must be less than the legal assessment of what the employment tribunal is likely to award.

Severance payments should not be made where they could be seen as a reward for failure.

6.6 Compensation payments are made to provide redress for personal injuries. If the academy is considering making such a payment it must base its decision on a careful appraisal of the facts, including legal advice where relevant and ensure that value for money will be achieved.

- 6.7 The academy must ensure that the use of confidentiality clauses associated with staff severance payments do not prevent an individual's right to make disclosures in the public interest.
- 6.8 Ex gratia payments are transactions that go beyond statutory or contractual cover, for example, payments to meet hardship caused by official failure or delay and payments to avoid legal action on the grounds of official inadequacy. Statutory and contractual payments made to academy staff in accordance with the academy's pay and conditions policy would not be ex gratia. All ex gratia payments must be referred to the EFA for prior authorisation.

### **Payroll Administration**

- 6.9 The academy payroll is currently administered by the Deputy Finance Officer who uses Essex County Council's e-payroll system. All staff are paid monthly.
- 6.10 The Deputy Finance Officer will be responsible for maintaining accurate and up to date employee contract information on the SIMS.net Personnel Module which interfaces with SIMS FMS.
- 6.11 Access to the computerised personnel records will be granted only to persons who need them in carrying out their official duties. Personnel records will be retained for a time in line with relevant legislation.
- 6.12 The Deputy Finance Officer will notify the payroll provider of all changes to the employment of staff at the academy as sanctioned by the Principal.
- 6.13 The Deputy Finance Officer should be notified by the 3<sup>rd</sup> day of each month of any staff sickness and other absences during the preceding month in accordance with the academy's sickness absence management procedures. This information must be notified to the payroll provider via the e-payroll system.
- 6.14 Staff overtime, including lunch duties, will be paid in accordance with the current overtime policy. Before undertaking overtime, it is the responsibility of the individual member of staff to gain the written permission of a member of the Senior Leadership Team. After completing the additional hours, an overtime claim form (Appendix F) must be submitted to a member of the Senior Leadership Team for authorisation. When authorised, this should be forwarded to the Deputy Finance Officer who will notify the payroll provider via the e-payroll system. Claims are to be made in the term in which the overtime occurred. Claims received after the first day of the following term will not be paid.
- 6.15 Any payroll transaction relating to the Principal should be authorised by the Chair of Governors.
- 6.16 A salary master file should be prepared. The file should include details of gross payments, including allowances and details of all deductions, including pension and national insurance.

### **Payments**

- 6.17 All salary payments are made by BACS.
- 6.18 Payments for salaries must be agreed and reconciled back to the bank statements each month by the Deputy Finance Officer.
- 6.19 The Deputy Finance Officer should prepare a reconciliation between the current month's and the previous month's gross salary payments showing adjustments made for new appointments, resignations, pay increases etc. This reconciliation should be reviewed and signed by the Principal Finance Officer.

- 6.20 All payments relating to payroll are to be debited against the relevant cost centre and credited to the Payroll Control Account. After the appropriate cashbook journals are raised, the balance in the Payroll Control Account should be Nil. It is the responsibility of the Principal Finance Officer to ensure that this is undertaken.
- 6.21 On an annual basis the Finance Officer must check for each member of staff that the gross pay per the payroll system agrees to the contract of employment held on the personnel file.

### **Tax Arrangements for Senior Employees**

- 6.22 The academy must ensure that their senior employees' payroll arrangement fully meet their tax obligations and comply with HM Treasury's guidance as set out in the Treasury's Review of the Tax Arrangements of Public Sector Appointees. Failure to comply with these requirements may result in a fine by HM Treasury, equivalent to five times the amount paid to the employee.

### **Payments to Individuals**

- 6.23 Any Cost Centre Manager proposing to use the services of a self-employed individual (i.e. consultant/technician/sport coach etc.) must ensure that reasonable steps are taken to establish that the individual is registered as Self Employed with HM Revenue and Customs and that the individual has confirmed to the academy in writing, that they will be responsible for any taxes payable to HM Revenue and Customs on payments made by the academy before a purchase order for the individual's services is issued by the academy. If any one individual is likely to work for the academy for more than 3 days in a 3 month period then payment should be made via the payroll provider.

### **Mileage and Subsistence Allowances**

- 6.24 Where a member of staff is aware that they may incur personal expenses associated with travel or subsistence in connection with their work they should gain the prior approval of their line manager.

The rates payable for reimbursement of subsistence are as agreed by HM Revenue and Customs.

All expense claims will require the signature of the claimant, the cost centre manager and the line manager to be processed. Should the claimant be a signature approving the expenditure then two other senior staff (including the Principal) should also sign. The relevant forms can be obtained from the Finance office.

Receipts or other appropriate evidence of expenditure must be attached to the claim in respect of all purchases, i.e. fares, subsistence, phone calls, postage and any other purchases that may be approved.

Staff who attend courses etc. using their own vehicles should be made aware that they need to be covered for business use on their own car insurance.

## **7. Purchasing**

- 7.1 The academy aims to achieve the best value for money from all its purchases. This means it wants to get what it needs in the correct quality, quantity and time at the best price possible. 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;
- **Value for Money, achieving the best possible educational outcomes through economic, efficient and effective use of resources.**

### **Routine Purchasing**

- 7.2 Cost Centre Managers will be informed of the budget available to them at the start of the academic year. It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent. A print detailing actual expenditure against budget will be supplied to each budget holder a week after the end of each month and budget holders are encouraged to keep their own records of orders placed but not paid for.
- 7.3 For any order or purchase with an estimated value of amounts £1,000 and £9,999, for the supply of goods, materials or services, three competitive quotations should be obtained in writing and attached to the purchase order. If competitive quotations are not obtained, the reason must be clearly stated on the order form. All instances must be reported to the Finance and Resources Committee. Approval of contracts over £10,000 will only be made after following appropriate tendering procedures.
- 7.4 All orders must be made in writing using an official order form, stocks of which are held in the Finance Office. Orders must bear the signature of the Cost Centre Manager, together with the signature and date of the Line Manager, must include a statement of requirement and must be forwarded to the Finance Office for processing. The Principal Finance Officer or Deputy Finance Officer will determine that the appropriate budget has sufficient funds to meet the order.
- 7.5 Once the internal form has been appropriately authorised, the finance staff will commit the expenditure against the appropriate cost centre using SIMS FMS. The official system generated order form will be signed as certification that appropriate authorisation for the order has been obtained. Paper copies of official orders will be kept in numerical sequence in a file in the Finance office.
- 7.6 An order form should be completed as quickly as possible for any urgent order that is placed verbally so that the financial commitment can be registered.
- 7.7 The Cost Centre Manager must make appropriate arrangements for the delivery of goods to the academy. On receipt the budget holder must undertake a detailed check of the goods received against the goods received note (GRN) and make a record of any discrepancies between the goods delivered and the GRN. Discrepancies should be discussed with the supplier of the goods without delay.
- 7.8 If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Finance Office must be notified.
- 7.9 All invoices must be sent to the Finance office where they will be checked against the original order for accuracy and entered on the computer system. The invoice will then be passed to the Cost Centre Manager and Line Manager for authorisation for payment.
- 7.10 If the Cost Centre Manager is pursuing a query with a supplier the Finance office must be informed of the query and periodically kept up to date with progress.
- 7.11 The Deputy Finance Officer will process the authorised invoice against the order and raise a cheque, paying attention to the credit terms. The cheque should be signed in accordance with section 9.3 below. The cheque slip will be attached to the invoice and filed in sequential order in the Finance office.
- 7.12 The Principal Finance Officer must ensure that all prime records are retained for six financial years plus the current year and are stored in a secure and logical manner.

## Rolling Maintenance

- 7.13 Where the academy makes purchases relating to rolling maintenance, eg replacement carpets, ceiling tiles, a dummy order should be sent to a minimum of three suppliers at the beginning of each academic year. The supplier who offers the best value for money will be selected to supply the academy for the remainder of the financial year. Such suppliers must indicate that they are willing to hold good their price for a minimum of twelve months.

## Outsourced Contracts, including audit

- 7.14 Outsourced contracts must be re-tendered or re-quoted every three years. The relevant dates are:
- Audit – re-quote September 2015;
  - Catering – re-quote February 2017;
  - Grounds – re-tender April 2017;
  - Cleaning – re-tender May 2017;
  - Caretaking – re-tender May 2017.

## Trading with connected parties

- 7.15 The academy must pay no more than “cost” for goods or services provided to it by the following persons:
- any governor of the academy;
  - any individual or organisation connected to a governor. Connected persons include a relative of the governor, an individual or organisation carrying on business in partnership with the governor, a company in which the governor or relative of the governor holds more than 20% of the share capital or is entitled to exercise more than 20% of the voting power at any general meeting of that company, an organisation which is controlled by a governor or a relative of a governor
- 7.16 The at cost requirement applies to contracts for goods and services which exceed £2,500, cumulatively, in any one financial year.

## EU Procurement Rules

- 7.17 Consultant appointments over £111,676 and contractor appointments over £4,322,012 will fall under EU procurement rules which require advertising in the Official Journal of the European Union. Guidance on the OJEU thresholds is given in Appendix G.

## Forms of Tenders

- 7.18 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 Cost Centre Manager must discuss and agree with the Principal Finance Officer 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**

7.19 Full consideration should be given to:

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

7.20 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**

7.21 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.

7.22 **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**

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

### **Tender Opening Procedures**

- 7.24 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 £30,000 - two of the budget holder, the Principal Finance Officer or the Principal;
- For contracts over £30,000 - either the Principal or the Principal Finance Officer plus a member of the Finance and Resources Committee.

- 7.25 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**

- 7.26 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.

- 7.27 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

- 7.28 Full records should be kept of all criteria used for evaluation and for contracts over £30,000 a report should be prepared for the Finance and Resources Committee highlighting the relevant issues and recommending a decision. For contracts under £30,000 the decision and criteria should be reported to the Finance and Resources Committee.

- 7.29 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.

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

### **Credit Card Purchases**

- 7.31 The credit limit on the card will be £20,000. This will be reviewed on a regular basis and adjusted as necessary in accordance with the approval of the Governing Body and/or the Finance & Resources Committee. To use the credit card facility a blue credit card order form must be completed and fully authorised by the Cost Centre Manager and Line Manager before any transaction can take place. The card will be used for the purchase of academy goods only. It must not be used as a means of borrowing money. Receipts are to be obtained for all purchases. The card will only be used by the Principal, Principal Finance Officer and the Deputy Finance Officer.

The Principal Finance Officer will ensure:

- that the card is kept in the Finance Office safe when not in use;
- that a direct debit mandate is in place to ensure that the card balance is repaid in full each month.
- that a reconciliation of the card transactions is undertaken promptly on receipt of the monthly statement.

The Principal will:

- carry out an independent review of statements, purchase orders and receipts in order to verify purchases;
- sign the statement reconciliation to confirm that an independent review has been undertaken.

### **7.32 Internet Purchases**

At all times, the same rigour of internal control must be placed on internet purchases as is normally applied to standard procurement with regard to authorisation controls and independent management checking.

### **7.33 Internet Orders**

The Principal Finance Officer, Deputy Finance Officer or the Cost Centre Manager will be authorised to place online purchases where this is considered to be the most appropriate method of purchasing.

Requests should be made and authorised in accordance with the procedures set out in Section 7.3 above.

It is the responsibility of the Cost Centre Manager to have due regard for ensuring the internet is the most appropriate means for procurement and to ensure that a blue credit card order form is duly completed if payment is to be made using the academy credit card.

Where possible the official order number should be quoted on the internet order as a cross reference.

The internet order must be raised in the name of the academy with the academy's address, not to an individual.

### **7.34 Internet Payment**

The preferred method of payment for internet purchases will be the request of an invoice from the supplier, which can be paid via the academy's normal payment route.

If the supplier is unable to supply an invoice in advance, the Principal Finance Officer or Deputy Finance Officer will be authorised to use the credit card to make payment so long as the procedures noted at Section 7.29 to 7.31 have been adhered to.

Payment by an individual's personal credit card should only be considered when the above options have been exhaustively attempted and failed.

The correct authorisation procedure for purchases should still be adhered to (Sections 7.3 and 7.4), and the academy retains the right to refuse to reimburse the individual if the proper controls/authorisations are not followed. Reimbursement to individuals should be made in the normal manner upon production of an original invoice/receipt.

Supplier invoices, delivery notes and all relevant documentation should be obtained for all internet purchases and retained within the normal filing system. This is especially important if the academy is to attempt the recovery of VAT.

Purchases should only be made from secure websites.

## **8. Income**

8.1 The main sources of income for the academy are the grants from the DfE. The receipt of these sums is monitored directly by the Principal Finance Officer who is responsible for ensuring that all grants due to the academy are collected.

8.2 The academy also obtains income from the public, mainly for facility lettings. See Section 11 for details of the Academy's letting policy.

### **Custody**

8.3 Invoices should be raised on FMS using 'Accounts Receivable' updating the financial accounting system with the income and creating a debtor which will enable a more efficient method of tracking.

8.4 The Principal shall periodically ensure at termly intervals that all invoices are properly accounted for and that all monies due to the academy have been collected.

8.5 All income received should be recorded immediately and entered onto the academy's financial accounting system.

8.6 All income shall be acknowledged by the collector to the payer by means of an official receipt.

8.7 When a receipt is issued the top copy will be given to the payer and the duplicate copy kept at the academy.

8.8 All monies received must be banked intact as soon as is practicable. Income collections will not be used for the encashment of personal cheques or for other payments. All monies must be kept in the Finance Office safe prior to banking. Due regard must be taken to not exceeding the limits set for insurance purposes of cash held on the premises.

8.9 All cheques banked must be entered on the bank paying-in slip.

8.10 For normal day-to-day transactions, the Deputy Finance Officer will be responsible for receiving and banking income.

8.11 The Principal or Principal Finance Officer shall periodically check that all the monies due to the academy have been collected and banked. For example, cross-checking the trip receipt book to the copy bank paying-in slip and bank statement entry.

8.12 Only the Principal Finance Officer, Deputy Finance Officer, Front Reception Staff, Examinations Officer, Lettings Administrator and the Technology Auxiliaries are authorised to take payments on behalf of the academy for goods or services provided by or through the academy.

## **9. Cash Management**

### **Bank Accounts**

9.1 The opening of all accounts must be authorised by the governing body who must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. The operation of systems such as Bankers Automatic Clearing System (BACS) and other

means of electronic transfer of funds must also be subject to the same level of control.

### **Deposits**

9.2 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**

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

Chair of Governors  
Principal  
Vice Principal  
Assistant Principal

One of the signatories for cheques of £50,000 or more must be the Chair of Governors. If the Chair of Governors is not an authorised signatory (i.e. due to a recent change in the Chair) then authorisation should be received by email from the Chair of Governors to the Principal Finance Officer or Deputy Finance Officer. A copy of the email should be attached to the cheque counterfoil.

Newly appointed cheque signatories cannot sign alongside each other.

It is accepted that it is good practice for the person originating the cheque not to be one of the signatories on the cheque.

Direct debit authorisations will be signed in accordance with the academy's bank mandate as detailed above.

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

### **Administration**

9.5 The Principal Finance Officer must ensure bank statements are received regularly and that reconciliations are performed at least on a monthly basis. Reconciliation procedures must ensure that:

- all bank accounts are reconciled to the academy's cash book;
- reconciliations are prepared by the Deputy Finance Officer and reviewed by the Principal Finance Officer; and
- adjustments arising are dealt with promptly.

### **Petty Cash Accounts**

Minor items of expenditure can be paid or reimbursed to staff through the petty cash system.

9.6 Expenditure paid through petty cash should not exceed £50 on any one claim. Requests for amounts above this limit can only be reimbursed by cheque.

9.7 All purchases made through petty cash, regardless of size, must be authorised by the Cost Centre Manager and Line Manager.

9.8 It is not permissible for employees to use store reward cards e.g Tesco Club card, Morrison Match & More, Sainsbury Nectar, when making purchases on behalf of the academy unless the card is in the name of the Eastwood Academy.

- 9.9 All payments made must be supported by a receipt for the goods purchased, along with an appropriate voucher signed by the member of staff receiving the cash.
- 9.10 All petty cash will be held in a locking cash box in the safe and the Principal Finance Officer will be responsible for its security.
- 9.11 The amount of petty cash held by the academy must be kept to a minimum and should never exceed £600 at any one time. The maximum amount of cash held by the academy at any time must never exceed the insured limit for the safe as set by the academy's insurance cover.
- 9.12 The academy's petty cash imprest level is £600. This level will be reviewed annually and adjusted if necessary.
- 9.13 The Principal Finance Officer is responsible for maintenance of the petty cash procedures which includes full reconciliation to both the SIMS FMS computer system and the monthly bank statement. Receipts plus cash in hand should equal the imprest after taking into account the cash brought forward from the previous month.
- 9.14 The cheque signatories for the petty cash account are as described in 9.3 above.

### **Cash Flow Forecasts**

- 9.15 The Principal Finance Officer 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 positive 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 to cover potential cash shortages.

### **Investments**

- 9.16 Investments must be made only in accordance with the investment policy which must be reviewed regularly and approved by the governing body.
- 9.17 Investment risk must be properly managed and security must take precedence over revenue maximisation.
- 9.18 All investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

## **10. Fixed assets**

### **Asset register**

- 10.1 All items purchased with a value over £500 must be entered in an asset register. The asset register should include the following information:
- asset description
  - asset number
  - serial number
  - date of acquisition
  - asset cost
  - source of funding (% of original cost funded from DfE grant and % funded from other sources)
  - expected useful economic life
  - depreciation
  - current book value
  - location

- name of staff member responsible for the asset.

10.2 The Asset Register helps:

- ensure that staff take responsibility for the safe custody of assets;
- enable independent checks on the safe custody of assets, and acts as a deterrent against theft or misuse;
- to manage the effective utilisation of assets and to plan for their replacement;
- 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**

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

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

### **Disposals**

10.5 Prior written approval from the Secretary of State, via the EFA, is required for the disposal of a freehold on land or buildings and heritage assets with historical, artistic, scientific, technological, geophysical or environmental qualities.

10.6 The Principal is able to authorise the disposal of other surplus equipment and materials where the current estimated individual item value is £2,000 or less. Disposal of surplus equipment and materials where the current estimated individual item value is above £2,001 requires the approval of the Chair of Governors. All disposals must maintain the principles of regularity, propriety and value for money. The academy must ensure that it obtains the best price that can be reasonably achieved.

10.7 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. Computers must be wiped clean of data and software prior to disposal so that only the Operating System remains.

10.8 The academy may agree to give assets bought for a proper purpose, but which are no longer needed, to a charity, up to a maximum value of £1,000 per single donation.

10.9 The academy is expected to reinvest the proceeds from all asset sales for which capital grant was paid in other academy assets. If the sale proceeds are not reinvested then the academy must repay to the DfE a proportion of the sale proceeds.

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

10.11 All income generated from the disposal of surplus equipment and materials must be recorded in the accounting system.

### **Acquisitions**

10.12 Prior written approval from the Secretary of State, via the EFA, is required for the acquisition of a freehold on land or buildings.

## **Loan of Assets**

- 10.13 With the exception of laptops which are regularly removed from the academy property, items belonging to the academy must not be removed from academy premises without the authority of the Head of Department. A record of the loan must be recorded in a loan book and booked back in to the academy when it is returned.
- 10.14 Any damage to academy property occurring off-site will be at the members' own risk with the exception of when property is being used on school trips.
- 10.15 If assets are on loan for extended periods or to a single member of staff on a regular basis the situation may give rise to a 'benefit-in-kind' for taxation purposes. Loans should therefore be kept under review and any potential benefits discussed with the academy's auditors.

## **11. Lettings**

### **General**

- 11.1 Directors recognise the position of the academy in the local community and that encouragement should be given to the use of the academy by outside organisations.

The lettings are governed by the Lettings Policy [\\Eastwood4\restricted\School Management\Policies\Finance\Lettings Policy and Scale Charges.docx](#). In recognition of this the following internal regulations are applicable.

The Governing Body will review the scale for charges for lettings annually.

### **Application Form**

- 11.2 All hirers will complete the appropriate letting application form. Day to day approval of requests for hire will be the responsibility of the Lettings Administrator after:
- reference to the scales of charges agreed by the Finance and Resources Committee;
  - checking the application form has been properly signed by the hirer;
  - confirming whether or not the hirer is affiliated to a national association that has its own child protection policy;
  - checking that the hirer has a child protection policy if not affiliated to a national association;
  - checking that a copy of the school's own child protection policy and guidelines has been passed to the hirer and that they have signed to confirm receipt;
  - ascertaining whether or not it is necessary to seek references for the hirer.

Abatement of charges can only be made by the Principal or the Business Manager subject to Directors approval.

### **Bookings**

- 11.3 All requests for hire will be logged in the lettings diary by the Lettings Administrator. Payment will be required in advance for all lettings unless special payment facilities have been agreed between the hirer and the Principal.

### **VAT – Academy lettings**

- 11.4 The academy is not registered for VAT. If, in the future it registers for VAT, the following will apply:

The letting of halls, rooms and playing fields for non sporting activities are exempt from VAT.

If the letting provides facilities for playing sport or participating in any physical recreation, e.g. letting the gym to a club including use of all equipment, use of a

swimming pool to a club, the let must have standard rate VAT added to the letting charge. However, VAT does not need to be charged if the following conditions are met:

- a) the let is for a continuous period of 24 hours or more; or
- b) the let is for a series of 10 or more periods, whether or not exceeding 24 hours in total, where the following conditions are satisfied:
  - i) each period is in respect of the same activity carried on at the same place;
  - ii) the interval between each period is not less than 1 day and not more than 14 days;
  - iii) consideration is payable by reference to the whole series and is evidenced by written agreement;
  - iv) the lessee has exclusive use of the facilities; and
  - v) the lessee is a school, club, an association or organisation representing affiliated clubs or constituent associations.

For the sake of clarity, if the lettings policy contains a cancellation clause the above conditions cannot be met and VAT at the applicable rate will be charged.

## **Payments**

11.5 See Section 8 for full details of income procedures.

The Principal or Principal Finance Officer shall periodically ensure at termly intervals that all invoices are properly accounted for, and that all monies due to the academy have been collected.

The Lettings Administrator is responsible for maintaining records of bookings of facilities and for identifying the sums due from each organisation and chasing any outstanding debts.

## **12. School Private Funds**

12.1 All monies relating to school private funds will be kept separate from those of the delegated budget.

12.2 Day to day transactions through the funds are the responsibility of the Deputy Finance Officer.

12.3 The cheque signatories are as described in Section 9.3 above.

12.4 Where items are purchased through the School Fund for re-sale to pupils and/or parents, then appropriate trading accounts will be maintained for each area of activity. Where stock is involved, the trading account should reflect the movement in stock in order to ascertain a true net profit/loss position.

12.5 Quarterly management accounts should be presented to the Finance & Resources Committee.

12.6 All cheques for the School Fund will be kept in the Finance office safe and the Deputy Officer Manager will be responsible for their security.

12.7 Payments are to be authorised by the Cost Centre Manager and Line Manager with receipts kept if appropriate.

12.8 All suspected irregularities are to be reported to the Principal and the school fund auditor immediately.

12.9 An independent auditor will be appointed or reappointed annually by the Directors.

- 12.10 Schools must provide audit certificates in respect of any voluntary and private funds (excluding parent teacher association funds) they hold and of the accounts of all trading organisations connected with the school.

The procedures for furnishing these audit certificates and advice on the handling of such voluntary and private funds is set out in the Management of Schools Private Funds (Voluntary Funds) manual. The standards required are set out in the Audit Commission/OFSTED publication "Keeping Your Balance".

- 12.11 It is the responsibility of the Principal Finance Officer to present the prepared accounts to the auditor at the end of the financial year.
- 12.12 The annual audited accounts will be presented to the Finance and Resources Committee at the appropriate meeting.

### **13. Southend West School Sports Partnership "Sports Hub"**

- 13.1 All monies relating to the Sports Hub will be kept separate from those of the delegated budget.
- 13.2 The recording of the day-to-day transaction on an appropriate system is the responsibility of the Deputy Finance Officer.
- 13.3 The cheque signatories are as described in Section 9.3.
- 13.4 As with the Public Fund, all expenditure must be authorised by the Cost Centre Manager and Line Manager prior to being incurred. All invoices, cheque requests and any other form of payment request must also be approved by the Cost Centre Manager and Line Manager. This approval is demonstrated by signature.
- 13.5 The Cost Centre Managers and Line Managers are:
- Partnership Development Manager (Sports Hub)  
or
  - Sports Administrator (Sports Hub)  
and
  - Business Manager (Sports Hub)

### **14. Leasing Policy and Arrangements**

- 14.1 By statute an operating lease is the only type of lease available to academies. These leases involve the academy paying a rental fee for the hire of an asset for a period of time and have the character of a rental agreement. No other lease, such as finance leases or hire purchase, may be entered into by the academy as this is a form of borrowing.
- 14.2 Leasing agreements will only be made where the financial arrangements are such that they benefit the academy and the Finance and Resources Committee have given their approval. Any item procured under a lease arrangement must conform to the requirement noted in Section 7.1 above.
- 14.3 Leasing agreements are to be signed by the Principal or Business Manager on behalf of the Directors.
- 14.4 The Business Manager will be responsible for ensuring that all leasing agreements are kept under review and that appropriate arrangements are made for renewals.
- 14.5 Any lease entered into must meet the following criteria:
- ownership of the asset must remain with the leasing company and there is no option for the academy to purchase the asset at any time;
  - any extension of the lease must be at open market values;
  - the academy will not benefit from any sale proceeds of the asset;

- the termination value of the lease is equal to or exceeds 10% of the value of the asset at the commencement of the lease;
- the maximum duration of the lease is 5 years;
- the principles of regularity, propriety and value for money are always maintained.

14.6 Long term leases involving entry into a Landlord Tenancy Contract are explicitly not permitted.

14.7 If the academy wishes to enter into a lease of more than 5 years duration the relevant EFA representative should be contacted in the first instance.

14.8 If there is any doubt as to whether or not a particular lease does or does not involve an element of borrowing the academy should contact their financial adviser for advice.

## **15. Directors Allowances**

15.1 The Education (Governors' Allowances) Regulations 2003 made under section 19 (3) and 210 (7) of the Education Act 2002 enables governing bodies to decide whether they wish to pay the following allowances from the academy budget: travelling and subsistence, child care, care arrangements for an elderly or dependant relative, support for directors with special needs (e.g. audio equipment), support for directors whose first language is not English and telephone charges. The policy of the directors in respect of payment of allowances will be openly available to parents and directors.

15.2 Directors have agreed that from 10/12/2009, all Directors will be entitled to claim the actual costs which they incur as follows:

- Directors will be able to claim allowances providing the allowances are incurred in carrying out their duties as a Governor or representative of The Eastwood Academy and are agreed by the Finance and Resources Committee that they are justified before any reimbursable costs are incurred.

- Directors will be able to claim for the following, on a case-by-case basis and with the prior approval of the Governing Body:

- childcare or baby-sitting allowances (excluding payments to a current/former spouse or partner);
- cost of care arrangements for an elderly or dependent relative (excluding payments to a current/former spouse or partner);
- the extra costs they incur in performing their duties either because they have special needs or because English is not their first language;
- the cost of travel relating only to travel to meetings/training courses at a rate of HMRC mileage rate : Car/Van- 45p per mile, Passenger 5p per mile, motorcycles 24p per mile and bicycles 20p per mile
- travel and subsistence costs, payable at the current rates specified by the Secretary of State for the Environment, Transport and the Regions, associated with attending national meetings or training events, unless these costs can be claimed from the LEA or any other source;
- telephone charges, photocopying, stationery, postage etc.;
- any other justifiable allowances.

## **16. Bribery**

16.1 The Bribery Act 2010 came into effect on 1 July 2011. The Act is concerned with bribery, which is defined as giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having already done so. This could cover seeking to influence a decision-maker by giving some kind of extra benefit to that decision-maker rather than by what can legitimately be offered as part of a tender process.

16.2 The Academy could be liable where someone who performs services for it (an employee or agent) pays a bribe specifically to get business, keep business or gain a business advantage for the Academy.

16.3 Directors and staff of the Academy are fully aware and committed to the objective of preventing bribery.

## 17. Best Value

17.1 The academy must ensure that it achieves best value. The following four principles should be applied:

- **Challenge** – Is the school's performance high enough? Why and how is a service provided? Do we still need it? Can it be delivered differently? What do parents want?
- **Compare** - How does the school's pupil performance and financial performance compare with all schools? How does it compare with LA schools? How does it compare with similar schools?
- **Consult** - How does the school seek the views of stakeholders about the services the school provides?
- **Compete** - How does the school secure efficient and effective services? Are services of appropriate quality, economic?

17.2 The principles of best value must be applied when

- making decisions about the allocation of resources to best promote the aims and values of the school;
- the targeting of resources to best improve standards and the quality of provision
- the use of resources to best support the various educational needs of all pupils.

## 18. Value for Money

18.1 The academy's accounting officer must demonstrate how the academy has secured value for money via the governance statement in the audited accounts. A separate value for money statement is no longer required.

## 19. Whistleblowing

The academy should have appropriate procedures in place for whistleblowing, including making sure that all staff are aware to whom they can report their concerns and the way in which such concerns will be treated.

## 20. Disclosure

Irrespective of whether the Secretary of State's approval is required, the academy must disclose aggregate figures for transactions of any amount, and separate disclosure for individual transactions above £5,000, in their audited accounts for each of the following transactions – gifts made by the academy; writing off debts and losses; guarantees, letters of comfort and indemnities; compensation payments; ex gratia payments; acquisition or disposal of a freehold of land and buildings; disposal of heritage assets; the taking up or granting of a leasehold on land and buildings.

Staff severance payments, of any value, must be disclosed in total and individually.

## 21. Gifts and Hospitality

The academy should have appropriate procedures in place for the giving and receiving of gifts, hospitality and any other benefit which might be seen to compromise the personal judgement or integrity of directors or members of staff. A register is maintained of all gifts given or received.

## **Appendix A**

### **Audit Committee Terms of Reference**

#### **Constitution**

The board hereby resolves to establish a committee of the board to be known as the Audit Committee.

#### **Membership**

1. The membership of the audit committee shall be the same as that of the Finance and Resources Committee (FR).
2. The Audit Committee shall have a different chair from the Finance Committee to be elected at the first meeting of every academic year.
3. The Accounting Officer (Principal), Principal Finance Officer and Responsible Officer shall attend all meetings in a reporting capacity – they will have no voting rights.

#### **Meetings**

1. There shall be three meetings each academic year to be held on the same day as the Finance and Resources meetings.
2. There shall be an additional session held in the summer break which all members, the Accounting Officer, Principal Finance Officer, Responsible Officer and Company Secretary shall attend where the Statement of Internal Control shall be considered and if the committee is satisfied, passed to the September FDM for approval.

#### **Schedule of Work**

The committee shall undertake three main tasks. These are:

1. To consider quarterly Responsible Officer Reports and challenge academy staff as to recommendations followed through and/or rejected and the reasons for this.
2. To consider the termly audit visits made by members (schedule of which to be agreed at the first meeting of each academic year) and make any recommendations necessary (details below).
3. To consider the Statement of Internal Control and recommend to Directors that it be approved.

The outcome of the work should inform the governance statement that accompanies the academy's annual accounts, and, so far as is possible, provide assurance to the external auditors.

#### **Director Visits**

When visiting the Academy each term, the member of the audit committee must consider:

1. Ten randomly selected transactions where the academy is purchasing goods or services. Committee members should look at the order (including authorisation), the invoice (including authorisation), the cheque (including signatories) and determine whether the money has been taken from an appropriate cost centre.
2. Five randomly selected lettings transactions. Committee members must demonstrate that the lettings policy is being followed and that payments are processed in line with the lettings policy and finance and accounting procedures.

3. The payroll record of one (anonymised) member of staff, randomly selected from the employee list.
4. Aged debtor and creditor reports to ensure that debts are being suitably pursued and creditors are paid in a timely manner.
5. Petty cash expenditure and reconciliation.
6. Income reconciliation

## **Appendix B**

### **Finance and Resources Committee Terms of Reference**

#### **Purpose**

To assist the decision making of the governing body, by enabling more detailed consideration to be given to the best means of fulfilling the governing body's responsibility to ensure sound management of the academy's finances and resources, including proper planning, monitoring and probity.

To make appropriate comments and recommendations on such matters to the governing body on a regular basis.

Major issues will be referred to the full governing body for ratification.

#### **Terms of Reference**

Subject to the requirements of the Academies Act 2010, the committee is authorised:

1. To consider the academy's indicative funding, notified annually by the DfE, and to assess its implications for the academy, in consultation with the Principal, in advance of the financial year, drawing any matters of significance or concern to the attention of the governing body.
2. To consider and recommend acceptance/non-acceptance of the academy's budget, at the start of each financial year.
3. To contribute to the formulation of the academy's development plan, through the consideration of financial priorities and proposals, in consultation with the Principal, with the stated and agreed aims and objectives of the academy.
4. To receive and make recommendations on the broad budget headings and areas of expenditure to be adopted each year, including the level and use of any contingency fund or balances, ensuring the compatibility of all such proposals with the development priorities set out in the development plan.
5. To liaise with and receive reports from the staffing/remuneration and curriculum committees, as appropriate, and to make recommendations to those committees about the financial aspects of matters being considered by them.
6. To monitor and review expenditure on a regular basis and ensure compliance with the overall financial plan for the academy, and with the financial regulations of the DfE, drawing any matters of concern to the attention of the governing body.
7. To monitor and review procedures for ensuring the effective implementation and operation of financial procedures, on a regular basis, including the implementation of bank account arrangements and, where appropriate to make recommendations for improvement.
8. To prepare the financial statement to form part of the annual report of the governing body to parents and for filing in accordance with Companies Act and Charity Commission requirements.
9. To receive auditors' reports and to recommend to the full governing body action as appropriate in response to audit findings.
10. To recommend to the full governing body the appointment or reappointment of the auditors of the academy.

## **Appendix C**

### **The Role of the Responsible Officer**

The role of the Responsible Officer (RO) is to provide the governing body (GB) with an on-going independent oversight of the academy's financial affairs. Most public sector organisations, and a growing number of private sector organisations, are required to have an internal audit service but due to the relatively small size of academies this requirement is thought to be too onerous. In the absence of an internal audit service it falls to the RO to provide the GB with independent assurance that:

- the financial responsibilities of the GB are being properly discharged;
- resources are 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 RO should be a governor (but not the chairman), or an appropriately qualified and experienced individual not on the academy's staff, with the necessary financial interest and skills to be able to perform the role competently. The RO is not expected to do the detailed accounting work personally, but will be required to check some transactions to ensure that the correct procedures have been followed. The RO will need to be sufficiently familiar with the finances of the academy to be able to report to the GB, and hence indirectly to the DfE, that the above requirements have been met.

### **Performance of the RO Role**

The conditions of DfE grant, and the financial procedures which the DfE expect the academy to follow, are described in the DfE Academies Financial Handbook, which expands upon the academy's funding agreement with the Secretary of State. Further details may be set out from time to time in financial circular letters, and in the annual funding letters. The main purpose of the RO role is to ensure that these requirements are followed.

Responsible Officers are often consulted before significant financial decisions are taken and provide a useful source of advice for academies. However, the RO should also perform a wider role by visiting the academy at least once a quarter and undertaking a series of detailed tests to confirm the operation of the main financial systems. Details of the expected checks are shown below.

Additionally, the RO should liaise with the external Auditor as required, read the Auditors' reports and ensure that there is an action plan in place to deal with the key recommendations.

Written records of the checks performed by the RO should be maintained.

### **Suggested Systems Checks to be undertaken by the RO Each Year**

#### **Payroll**

- Select 5 employees from the payroll and check salary details back to personnel records to confirm that the amount paid is correct;
- Check 5 amendments to the payroll to ensure that appropriately authorised source documentation exists;
- Review the final payroll print for one month to ensure it has been appropriately authorised.

#### **Purchases**

- Select 5 payments made within the quarter and ensure:
- the payment is correctly authorised;

- the payment is correctly recorded in the accounting system;
- the invoice is correctly authorised;
- the invoice agrees to the order;
- that goods or services have been certified as received;
- the order is correctly authorised;
- that the order has been placed with an appropriate supplier.
- Obtain details of any contracts with a value over a prescribed limit and review documentation to ensure correct quotation/tender procedures have been followed;
- Review progress against any significant capital contracts to ensure payments made are appropriate and progress is satisfactory.

### **Income**

- Review receipts from the DfE and sponsors and check that the amounts received agree to source documentation;
- Select one category of “miscellaneous receipts” and ensure:
  - appropriate action has been taken on any overdue amounts;
  - primary records of amounts due reconcile to records of monies collected;
  - monies recorded as collected have been banked promptly and in full;
  - ensure monies collected are correctly recorded in the accounting system.

### **Accounting System**

- Review bank reconciliations to ensure that they have been correctly prepared and authorised;
- Review control account reconciliations to ensure that they have been correctly prepared and authorised;
- Review through sample checks the procedures used to prepare financial reports issued to directors and officers of the Academy and DfES financial returns to be satisfied that they are completed accurately and promptly.

### **Virements**

- Review a sample of virements to ensure that they have been properly authorised and correctly recorded in the accounting system.

Appendix D

## Declaration of Business Interests, Interests in Academy Property and Connections to Academy Employees

Name of Governor /Staff Member .....

Name of Business	Nature of Business	Nature of Interest	Date of Appointment or Acquisition	Date of Cessation of Interest	Date of Entry

Nature of Interest in Academy Property	Date of Entry

Name of Connected Employee	Relationship to Employee	Date of Entry

I certify that I have declared all beneficial interests which I, or any person closely connected with me, have with businesses or other organisations which may have dealings with the school. I have also declared all interests in property belonging to the Academy.

Signed .....

Date .....

# Virement Approval Form

VAX

**TRANSFER:** £xx,xxx.xx

*Amount in words*

**INCREASE:** COST CENTRE NAME:  
LEDGER CODE:  
LEDGER NAME:  
BUDGET HOLDER:  
AMOUNT: £xx,xxx.xx

**DECREASE:** COST CENTRE NAME:  
LEDGER CODE:  
LEDGER NAME:  
BUDGET HOLDER:  
AMOUNT: £xx,xxx.xx

## **AUTHORISATION FOR EXPENDITURE**

Budget Holder .....

DATE .....

Line Manager .....

DATE .....

**NOTES:** (Reason to be entered here)

Processed on SIMS FMS:..... Date: .....  
(Signed)

## OVERTIME CLAIM SHEET

OVERTIME WEEK  
BEGINNING

NAME

SLT MANAGER APPROVAL <sup>1</sup>	DATE OF APPROVAL	REASON FOR OVERTIME <sup>1</sup>	DATE OF OVERTIME	TIME ON	TIME OFF	TOTAL HOURS	COLLEAGUE'S SIGNATURE <sup>1</sup>

TOTAL WEEKLY HOURS

Employee signature for all overtime on this sheet:

.....Date: .....

SLT signature approving completed overtime:

..... Date: .....

**RETURN THIS FORM TO the Finance Office at the end of each week.**

<sup>1</sup> Approval from a member of the Senior Leadership Team (SLT) must be sought **before** the overtime begins.

<sup>1</sup> A brief reason: e.g. absent colleague if you are covering for an absent colleague.

<sup>1</sup> Signature of a colleague who has been on duty with you whilst working the overtime.

## Appendix G

### EU Procurement Thresholds from 01/01/2014 to 31/12/2015

The European Union (EU) has introduced rules to open up public purchasing by making member states remove restrictive practices. Government departments and other public bodies are subject to these rules. They are relatively complex but in general terms include a requirement to follow a prescribed tendering procedure, to operate to a minimum timescale and **a requirement to advertise contracts in the Official Journal of the European Union (OJEU)** if they exceed certain financial thresholds. The thresholds applying from 1 January 2014 are:

- Goods and services including consultant appointments: £111,676 (excluding VAT);
- Public works contracts, for the procurement of construction or civil engineering works (contractor appointments): £4,322,012 (excluding VAT).

Where governing bodies are likely to enter into such contracts they will need to seek more detailed guidance and legal advice from the Department.