



Lincoln Christ's Hospital School

Financial Procedures

Link member of staff:

Finance Director

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1 Introduction

1.1 Overview

The purpose of this manual is to ensure that the Academy maintains and develops systems of financial control which comply with the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of our funding agreement with the Education Secretary.

The Academy must comply with the principles of financial control outlined in the guidance published by the Education and Skills Funding Agency (ESFA) in the Academies Financial Handbook (2019). This manual expands on that and provides detailed information on the Academy's accounting procedures. The manual should be read by all staff involved with financial systems.

2 Financial Responsibilities

2.1 Overview

The Academy has defined the responsibilities of each person involved in the administration of Academy finances to avoid the duplication or omission of functions and to provide a framework of accountability for governors and staff. Detailed roles, responsibilities and delegated authorities are specified within the academy's Scheme of Delegated Authority which has been approved by the Governing body. This document should be read in conjunction with these financial regulations. The financial reporting structure is illustrated below.

2.2 Proper and regular use of public funds

In accordance with the Academies Financial Handbook, the Academy must ensure that:

- Spending has been for the purpose intended and there is probity in the use of public funds.
- Spending decisions represent value for money in accordance with the 'Seven principles of public life' – selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
- No governor, employee or related party has benefitted from the use of funds.
- All governors and employees have completed the Declaration of Pecuniary & Personal interest form and there are measures in place to manage any conflicts of interest.
- There are no payments to any governor unless such payment is permitted by the articles and, where applicable, comply with the terms of any relevant agreement entered into with the Education Secretary.
- Their Leadership Team payroll arrangements fully meet their tax obligations and comply with the Treasury's directions regarding the employment and contract arrangements of individuals on the avoidance of tax.
- A competitive tendering policy is in place and applied.
- There is no disposal of publicly funded assets without the Education Secretary's consent, where such consent is required.

2.3 Governing body

The governing body has overall responsibility for the administration of the Academy's finances. The main responsibilities of the governing body are prescribed in the Funding Agreement between the academy and the DfE and in the Academy's scheme of governance. The main responsibilities include:

- Ensuring that grants from the DfE is used only for the purposes intended
- Approval of a written Scheme of Delegation of its financial powers and duties to the Finance, Property and Audit and Risk Committee, Head teacher, Principal Finance Officer and other staff.
- Set and approve budget virement and expenditure thresholds, signatories for cheques, bank forms and DfE returns
- Ensuring that the grant is used only for the purposes intended
- Approval and monitoring of the annual budget
- Approval of the academy's Financial Plan and Development Plan
- Approval and implementation of the academy's Risk Management Plan

2.4 Financial Competencies

- As part of its fraud risk health check and governor skills audit the governing body has assessed its governance and financial management skills and put actions in place to address any gaps.
- Governors receive training in governance and finance.
- All school governors effectively and robustly challenge senior school leaders and apply professional scepticism.
- Senior leaders, including the Headteacher, receive training in governance and finance. This training includes fraud and bribery risks awareness.

2.5 Finance, Property and Audit and Risk Committee

The governing body has established a Finance and Property Committee and Audit and Risk Committee, which meet once a term, or more frequently if necessary. The main responsibilities of the Finance, Property and Audit and Risk Committee (*please note name change, formerly 'Audit Committee'*) are detailed in the written terms of reference contained within the Scheme of Delegated Authority. They are responsible for monitoring and making recommendations to the governing body on matters related to finance and audit. These responsibilities include:

- The initial review and authorisation of the annual budget.
- The regular monitoring of actual income and expenditure against budget.
- Ensuring that the annual budgets are produced in accordance with the requirements of the Companies Act 1985 and the DfE guidance issued to academies.
- Authorising the award of contracts in accordance with the Scheme of Delegated Authority.
- Reviewing the reports of the Internal Auditor on the effectiveness of the financial procedures and controls. These reports must also be reported to the full governing body.

The governing body reviews the Finance and Property Committee and Audit and Risk Committee's remit and membership annually.

2.6 Headteacher (Accounting Officer)

The Headteacher is the named Accounting Officer who has a personal responsibility to the governing body, Parliament and the accounting officer of the ESFA for the resources under their control. He

has delegated powers and functions in respect of internal organisation, management and control of Lincoln Christ's Hospital School, the implementation of all policies approved by the governing body and for the direction of teaching and the curriculum.

Within the framework of the academy development plan as approved by the governing body, the Headteacher has overall executive responsibility for the academy's activities including financial activities. Much of the financial responsibility has been delegated to the Finance Director but the Headteacher still retains responsibility as detailed within the Scheme of Delegated Authority.

The essence of the role is:

- Personal responsibility for the propriety and regularity of the Academy's funds.
- Keeping adequate accounts.
- Prudent and economical administration.
- The avoidance of waste and extravagance.
- Ensuring value for money.
- The efficient and effective use of all of the resources in their charge.
- The day-to-day organisation, staffing and management of the Academy.
- Developing a Risk Management Strategy for approval by the full Governing Body. Maintaining and regularly reviewing the Academy's Risk Register.
- Preparing an annual budget plan in consultation with the Finance Director for consideration by the Finance, Property and Audit and Risk Committee at least two months before the start of the financial year.
- Establishing sound internal financial controls which are managed on a daily basis.
- Strategic overview to ensure compliance with financial regulations and procedures.
- Leading and managing the creation of a strategic plan (the Academy Development Plan) underpinned by sound resource planning.

The accounting officer must advise the board of trustees in writing if, at any time, in his or her opinion:

- Any action or policy under consideration by the governing body is incompatible with the terms of the Academies Financial Handbook or the funding agreement.
- The board appears to be failing to act where required to do so by the terms and conditions of the Academies Financial Handbook or the funding agreement.

If the board proceeds, contrary to the advice of the accounting officer, and the accounting officer believes that they are in breach of the academies financial handbook or the funding agreement, the accounting officer must advise the ESFA's accounting officer of the position in writing.

2.7 Finance Director

The Finance Director works in close collaboration with the Headteacher through whom they are responsible to the governors. They are responsible for the strategic leadership and development of the resource and business functions of the academy. The Finance Director also has direct access to the governors as an observer on the Finance and Audit and Risk Committees. The responsibilities of the Finance Director are detailed within the Scheme of Delegated Authority. The main responsibilities of the Finance Director are:

- The day-to-day management of financial issues.

- The maintenance of effective systems of internal control.
- The maintenance of the Academy's accounting records.
- Ensuring the effective implementation of current and financial systems and procedures described in the Financial Procedures Manual.
- Ensuring draft budgets are compiled for the governing body and appropriate committees.
- Preparing and monitoring the budget.
- Reporting the Academy's results to the Headteacher and governing body.
- Providing financial advice to the Headteacher and governing body.
- Ensuring that the annual financial statements are properly presented and adequately supported by the underlying books and records of the Academy.
- Ensuring that the Academy receives all of the income to which it is entitled.
- Ensuring the accuracy and integrity of the Academy's payroll.
- Ensuring that financial reports are produced for the governing body, ESFA and Companies House as required.
- Making purchases in accordance with the Academy's procurement policy.
- Managing specific projects, eg capital projects.
- Obtaining legal advice when appropriate.
- Ensuring regular communication with the internal and external auditors.
- Lead officer for the Finance, Property and Audit and Risk Committee.

2.8 Finance Officer and Finance Assistant

The Finance Officer's role is to provide support to the Finance Director and Finance Assistant in their duties. They are authorised to initiate and sign electronic payments and cheques, and hold one of the academy's charge cards.

The Finance Assistant is responsible for:

- Maintaining the Academy's accounting records.
- Liaising with budget holders and providing regular reports.
- Ensuring financial procedures are adhered to at all times.
- Preparation of monthly payroll information.
- Preparation of Month End tasks.
- Managing petty cash.
- Maintaining sample signature lists.
- Ensuring the register of declaration of pecuniary and personal interest is updated.

2.9 Other Staff

Other members of staff, primarily the Cashier and budget holders will have some financial responsibilities as part of their role. These are outlined in the Scheme of Delegation.

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.

3 Register of Pecuniary and Personal Interest

It is important that anyone involved in spending public money is able to demonstrate that they do not benefit personally from the decisions they make. To avoid any misunderstanding that might arise all governors and all staff who are budget holders are required to declare any financial interests they have in companies or individuals from whom the academy may purchase goods or services. This register is open to public inspection and the register of pecuniary and personal interests for the school governors will be shown on the school website.

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 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 pecuniary and personal interests should be presented to the governing body on an annual basis.

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

Where there is a possible conflict of interest - all decisions and sign offs must be completed by the Chair of the Finance and Audit Governors. This rule is without exception. This process will ensure that the decision making is with the Governors and that where appropriate, the School can still use the relevant company as one of their preferred suppliers.

3.1 Receipt of gifts, hospitality, entertainment and other services

Governors and members of staff involved in making buying decisions do not accept excessive, frequent or regular gifts, hospitality, entertainment or other services from existing or prospective suppliers. When considering whether to accept such offers, they consider whether they could affect their independence or cause concern that they might affect their independence. The Academy maintains a register of gifts and favours offered and whether these were accepted or rejected. Governors and members of staff are required to inform the Academy of such offers as they arise. Further guidance can be obtained from the Gifts and Hospitality Policy.

3.2 Expenditure on gifts, hospitality, entertainment and favours

The Academy maintains a register of any expenditure on gifts, hospitality, ex-gratia payments which is reviewed annually by the Finance, Property and Audit and Risk Committee. Such expenditure is only authorised if the governing body can demonstrate that they have taken into account the principles of probity, accountability and value for money.

Expenditure on hospitality from public funds is only incurred in the provision of education. Hospitality is generally only provided in the workplace and usually restricted to tea/coffee, biscuits, soft drinks or sandwiches. Modest hospitality is occasionally provided outside the workplace. The Finance Assistant maintains a register of the occasions when hospitality is provided, the number of people involved and the costs incurred.

3.3 Private use

The Academy does not obtain goods or services for the private use of governors and members of staff. Governors and members of staff may not:

- Hold any interest in any equipment or property held or used for the Academy.
- Acquire any interest in the disposal of Academy equipment or property at the end of any contract between the Academy and any third party.

4 Whistleblowing Policy

The staff and governors of Lincoln Christ's Hospital School seek to run all aspects of Academy business and activity with full regard for high standards of conduct and integrity. If members of Academy staff, parents, governors or the Academy community at large become aware of activities which give cause for concern, we have a Whistle Blowing policy. This acts as a framework to allow concerns to be raised confidentially and provides for a thorough and appropriate investigation of the matter to bring it to a satisfactory conclusion, under the Academy's disciplinary procedure.

We are committed to tackling fraud and other forms of malpractice and treat these issues seriously. We recognise that some concerns may be extremely sensitive and has therefore developed a system which allows for the confidential raising of concerns within the Academy environment but also has recourse to an external party outside the management structure of the Academy

The Headteacher will be responsible for monitoring the implementation and effectiveness of this policy. It will be reviewed by the governing body as necessary.

5 Audit

In Accordance with the Companies Act 2006, the academy's financial statements will be audited annually by external auditors. The academies financial handbook now states external auditors can no longer also be the Academies' internal auditors.

The governing body are responsible for appointing the external and internal auditors.

External Auditors may visit the academy as part of their audit.

The Academy will be notified at the audit planning stage of the timing of the visit, and the auditors may present a list of required documents at this time. All books and records at the academy must be available to the auditors and any inspectors as directed by ESFA and the National Audit Office.

The Academy's current appointed external auditors are: Streets Audit LLP, registered in England, company number OC309381

The Academy's current appointed internal auditors are Assurance Lincolnshire, registered in England, and part of Lincolnshire County Council internal audit services.

The contract for internal and external audit will be reviewed every year.

6 Insurance

The Academy is currently a member of the DfE issue Risk Protection Arrangement (RPA).

Insurance cover is complies with statutory requirements as set out by the ESFA.

The RPA reviews insurance arrangements annually. They ensure that the sums insured are commensurate with risks and include cover for Academy property when off the premises.

The main types of insurance cover which are in place are:

- Material damage
- Business interruption
- Employers' liability
- Third party liability
- Governors' liability
- Professional indemnity
- Employee and third party dishonesty
- Personal accident
- Travel
- Legal expenses

Details of all insurance policies held by the Academy are kept in the office of the Finance Office.

7 VAT

The Academy abides by the procedures issued by the HMRC (Her Majesty's Revenue & Customs) in connection with VAT. Input Tax is the VAT incurred on purchases made by the school.

The Finance Assistant will reclaim VAT payments, via the VAT126 form, made from their delegated budget on a monthly basis via HM Revenue and Customs. Staff cannot avoid paying VAT by purchasing personal items through the school (nor should they benefit from suppliers' discounts).

VAT can only be reclaimed provided:

- The goods or services are for the use of the school
- A valid VAT invoice is obtained
- Invoices obtained by staff on behalf of the school must show the school as the customer
- If the invoice was paid by a credit card in the name of a member of staff and the valid VAT invoice only shows the customer as the school, VAT can be re-claimed
- If the invoice was paid by a credit card in the name of a member of staff and the valid VAT invoice only shows the customer as the member of staff, VAT cannot be re-claimed
- Petty cash expenditure must provide a valid VAT invoice
- VAT is properly accounted for and not claimed on pro-forma invoices.

8 Academy development plan and budgeting

8.1 3 year Plan

The governing body maintains a three-year academy development plan, which explains how it intends to use its resources to achieve its aims and objectives. The academy also maintains a three-year budget which derives from this and a five-year budget forecast with projections.

The plan takes account of:

- The educational priorities for the academy.
- Likely demographic changes affecting pupils and staff.
- The building and repair maintenance programme.
- Repair and renewal programmes for furniture, fittings and equipment.

The plan is reviewed on an annual basis and updated in the light of new information and changed priorities.

8.2 Budgeting

The budgeting process starts at the beginning of the spring term each year. The Finance Director draws up a draft budget for the following financial year. The Finance Director is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the Headteacher, the Finance, Property and Audit and Risk Committee and the Governing Body.

The approved budget must be submitted to the DfE by the required deadline each year and the Finance Director is responsible for establishing a timetable which allows sufficient time for the approval process and ensure that the submission date is met.

The annual budget will reflect the best estimate available to the academy for the forthcoming year and will detail how these resources are to be utilised. There should be a clear link between the development plan objectives and the budgeted utilisation of resources.

The budget is constructed incorporating the following elements and processes:

- Forecasts of the likely number of pupils to estimate the amount of ESFA grant receivable;
- Forecast income, including grant and other income such as income from lettings, catering etc.
- Forecast staffing costs, based on a staff salary calculator and taking into account known appointments, retirements and rates of pay.
- Forecast of other expenditure based on service level agreements and likely cost trends.
- Identification of potential savings from previous years.
- Review of benchmarking data from similar local schools where available
- 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.
- The allocation of curriculum budgets to departments, using a transparent formula to allocate funds equitably in line with need and academy priorities.
- Managing planned levels of unspent balances – ensuring that the resulting annual surplus or deficit is in line with plans to recover from an overall deficit position or build up unspent balances to fund future development plans.

8.3 Balancing the Budget

Comparison of forecast income and expenditure identifies any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income will be explored and expenditure headings will be reviewed for areas where reductions can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will 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.

8.4 Finalising the Budget

Once the different options and scenarios have been considered, a draft budget is prepared by the Finance Director for approval by the Headteacher. This is then submitted to the Finance, Property and Audit and Risk Committee and the Governing Body for their review, challenge and amendment where appropriate. The final Budget should be approved in the same way. The final budget should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.

8.5 Monitoring and Review

The budget should be seen as a working document which may need revising throughout the year as circumstances change. If an unplanned deficit occurs during the financial year, the academy must notify the ESFA as soon as it is aware of this. The budget can only be amended for virements in line with the scheme of delegation. Budget holders must not exceed their budget allocation, unless they have the written approval of the Headteacher and Finance Director.

Budget holders get regular reports of their area of responsibility and are invited to discuss any concerns. The Chair of Governors and Chair of Finance, Property and Audit and Risk Committee receive a monthly management accounts pack, providing an overview of budget and cashflow position. Any discrepancies are highlighted and discussed.

The budget is also monitored on a termly basis by the Finance, Property and Audit and Risk Committee of which the Finance Director and Headteacher also attend.

Any potential overspend against the budget must in the first instance be discussed between the Finance Director/Headteacher/Chair of Finance, Property and Audit and Risk Committee.

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.

9 Cash flow

The Finance Director is responsible for preparing cash flow forecasts to ensure that the Academy has sufficient funds available to pay for day-to-day operations. If significant balances can be foreseen, steps are taken to address these issues. Similarly plans are made to transfer funds from another bank account or to re-profile general annual grant to cover potential cash shortages.

10 Computerised accounting system

10.1 Accounting system

All the financial transactions of the academy must be recorded on the "Resource 32000" accounting system as supplied by "Civica". The academy payroll is contracted out – at the present time this is with "Access". The accounts are audited by "Streets and Co".

10.2 System Access

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Access to Resource 32000 is password restricted and the Finance Director is responsible for implementing a system which ensures that passwords are changed on a regular basis and not shared. Passwords are only known by the relevant member of staff. Passwords are changed immediately if an employee is aware that an unauthorised person has learnt their password. If an outside provider uses the computerised accounting system, they are given their own user id and password.

Software is installed on the Academy's computer systems to detect viruses, spyware, and other malicious threats. Regular updates are used to ensure that the latest threats are detected. There is also a facility for cleaning up corrupt files.

Reviews are carried out to ensure that access rights and levels of access are still relevant to the responsibilities of individual users. Access for staff who are no longer employed by the Academy is removed as soon as the staff member leaves.

10.3 Back-up Procedures

The IT Manager is responsible for making sure the system is backed up daily and stored remotely. Daily backups are taken and not overwritten for a number of weeks. A backup is always made before any major change to the system, such as an accounting software upgrade. A hard copy of the nominal ledger and audit trail is printed each month.

The Academy complies with the requirements of the Data Protection Act. Alterations to any original documents such as cheques, invoices, orders and other vouchers are made clearly in ink and initialled. The use of correcting fluid or the erasure of information is not acceptable.

All accounting records including invoices, delivery notes, bank statements etc are retained in hard copy for six years, plus the current year, in a secure area.

10.4 Transaction processing

All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger can be found in the relevant sections of the Finance Operating Manual. Bank transactions should be input by the Finance Assistant and should be checked and signed by the Finance Director.

Detailed information on the operation of Resource 32,000 can be found in the user guides located in the Finance offices.

All journal entries must be documented and recorded in the journal book and authorised by the Finance Director before being input to the accounting system.

10.5 Reconciliations

The Finance Assistant is responsible for ensuring that the following reconciliations are performed each month, and that any reconciling or balances are explained to the Finance Director:

- Sales ledger control account.

- Purchase ledger control account.
- Payroll control account.
- Bank balance per the nominal ledger to the bank statement.

The Finance Director will review and sign all reconciliations.

11 Authorised signatories list

An authorised signatory list, including specimen signatures and covering all key financial systems, is held in the finance office for reference purposes.

12 Payroll

12.1 Staff Appointments

The governing body has approved a personal establishment for the academy which includes teaching and non-teaching members of staff. Changes can only be made to this establishment with the approval of the Finance, Property and Audit and Risk Committee in the first instance who must ensure that adequate budgetary provision exists for any establishment changes.

The Headteacher has the authority to appoint staff within the authorised establishment except for Deputy Headteachers whose appointments must follow consultations with the governors. The Headteacher/Human Resources Manager maintains files for all staff which includes contracts of employment.

12.2 Payroll Administration

The academy payroll is contracted out to Access who will keep a backup of each monthly payroll. As a payroll agent and the contract between the Academy and the agent includes:

- The responsibilities of the Academy and the payroll bureau.
- The responsibility for making returns to HMRC and the dates by which these returns should be made.
- Details of ownership of programs and data files.
- Responsibilities for the control and accuracy of data.
- Details of authorised signatories for payroll amendments.
- Back up provisions.
- A schedule of reports to be sent to the Academy for financial and personnel monitoring purposes.
- An agreement as to the response time and costs that will be charged for any additional data or reports required by the Academy.
- Provision for access for Academy staff and auditors.

New staff can only be added to the payroll with the approval of the Headteacher and notified to the contractor through the Human Resources Manager. New staff must complete all relevant payroll documents issued by the Human Resources Manager.

Salary amendments can only be made with the approval of the Headteacher and notified through the Human Resources Manager. The payroll provider does not process salary changes authorised by the person whose salary is changing. The Chair of Governors notifies any changes to the Headteacher's salary to the HR and Finance Director.

Staff can only be terminated from the payroll with the approval of the Headteacher and notified through the Human Resources Manager.

Payment for sickness or maternity must be authorised by the Human Resources Manager in line with the employment contract for the individual. Payment for paternity will follow the guidelines set by the governing body.

Where leave of absence is discretionary, payment will only be made with the approval of the Headteacher and notified to the Human Resources Manager by the appropriate form.

Staff who are paid by time-sheet/claim for extra duties/claim for mileage allowance must submit their timesheet to the Line Manager for approval, any claims for overtime must be approved by the Headteacher prior to the overtime commencing. These forms must then be passed onto the Human Resources Manager within three days in order for the claims to be processed for the next payroll run.

The governing body authorise the payroll agents to make all mandatory changes to the payroll without further authority eg tax, NI, pension contributions, rates, tax code changes etc. All staff are paid monthly through the payroll package. A file is created for each employee which records:

- Salary.
- Bank account details.
- Taxation status.
- Personal details.
- Any deduction or allowances payable.

12.3 Payroll Payments

After the payroll has been processed but before payments are made, the payroll agent will provide a print of salary payments for each individual which will be reviewed by the Human Resources Manager who will then give authority to release payments.

All salary payments will be made via BACs. Payments will be made on 23 of every month when this is a weekday. If the 23 is at a weekend or is a Bank holiday then payment will be made on the previous working day.

The Human Resources Manager checks the payroll report to ensure appointments, resignations pay increases etc are accurately reflected in the month's salaries.

The payroll agent will notify the Human Resources Manager/Finance Director of a breakdown for net pay, pension contributions, national insurance etc under the headings of teaching and non-teaching. The finance office will update the nominal ledger at the end of the month

On an annual basis the Human Resources Manager will check that for each member of staff the gross pay per the payroll system agrees to the contract of employment held on the personnel file of the individual.

Each member of staff will be issued with an annual salary statement during the Academic year.

Payments are made as follows:

- Net payments to staff, by BACS, to employees of the Academy.

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- HMRC payments, by the Academy, to HMRC.
- Pensions payments, by the Academy to the pensions authorities.
- Overtime claims, as part of net payments to staff, through the payroll.

12.4 Failure of the payroll system

Monthly salary payments are transmitted via the payroll agent. The transmission to bank takes place at least three working days before the payment date. Therefore the Academy should be aware of any difficulties at least three working days in advance, thus minimising risk.

The Academy's bank has been consulted regarding a possible failure to the payroll system or the usual method of transmission. In the event that pay details could not be transmitted to the bank via the usual system, the payroll database would be emailed directly to the bank and the content checked via telephone. The bank would arrange payments directly.

In the event of total IT failure at the Academy, payments would be discussed directly by telephone with the payroll agent.

13 Purchasing

Lincoln Christ's Hospital School wants to achieve the best value for money for all purchases. This means that they want to get what they need in the correct quality, quantity and time at the best possible price. A large proportion of those purchases will be paid for with public funds and they need to maintain the integrity of these funds by following the general principles of:

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

Budget holders will be informed of the budget available to them before the start of the academic year. It is the responsibility of the budget holder to manage their 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 each month and budget holders must keep their own records of orders placed but not paid for.

13.1 Approved suppliers

The finance office maintains a database of approved regular suppliers.

The finance office selects suppliers on the basis of their capacity to provide quality, quantity, service, timely delivery and price competitiveness. Volume discounts and credit terms are taken into account

Suppliers are selected from:

- Business directories.
- Trade journals.
- Supplier catalogues and mailshots.
- Information from other academies.

The listing of approved suppliers is reviewed and approved on an ongoing basis by the Finance Director and on an annual basis by the Headteacher.

13.2 Tendering

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

- **Open Tender:**
This is where all potential suppliers are invited to tender. The budget holder must discuss and agree with the Finance Director how best to advertise for suppliers eg 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 completion and the propriety of public funds.
- **Restricted Tender:**
This is where suppliers are specifically invited to tender. Restricted tenders may be appropriate where:
 - a) There is a need to maintain a balance between the contract value and administrative costs
 - b) 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.
 - c) The cost 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 may be appropriate in specific circumstances:
 - a) the above methods have resulted in either no or unacceptable tenders,
 - b) only one or very few suppliers are available,
 - c) extreme urgency exists,
 - d) additional deliveries by the existing supplier are justified.

13.2.1 Preparation for Tender

Full consideration may be given to:

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

It may be useful after all requirements have been established to rank requirements (eg mandatory, desirable and additional) and award marks to suppliers on fulfilment of these requirements to help reach an overall decision.

13.2.2 Invitation to Tender

If a restricted tender is to be used then an invitation to tender should 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 may include the following:

- scope and objectives of the project,
- technical requirements,
- implementation of the project,
- introduction/background to the project,
- terms and conditions of tender,
- form of response.
- deadline for submission.

13.2.3 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 taken into account when reaching a decision.
- Care should be taken to ensure that the tender price is the total price and that there are no hidden extra costs.
- Is there scope for negotiation?
- It may be appropriate to have an accountant or similarly qualified person examine audited accounts etc.

Technical/Suitability:

- Qualification 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

13.2.4 Tender Acceptance Procedures

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

13.2.5 Tender Opening Procedures

All tenders should be opened at the same time and the tender details should be recorded. Two persons should be present for the opening of the tenders, either the Headteacher or the Finance Director, plus a member of the Finance, Property and Audit and Risk Committee.

A separate record should be established to record the names of the firms submitting tenders and the amount tendered. This record must be signed by both people present at the tender opening.

No tender received after the date and time specified for its opening shall be accepted or considered by the academy unless the academy is satisfied that there is sufficient evidence of the tender having been dispatched in time for it to have arrived before the closing date and time, or other exceptional circumstances apply and the tenders have not been opened.

Late tenders can only be accepted by the Governing Body who will minute the reason for their decision.

13.2.6 Tendering Procedures

The evaluation process should involve at least two people. Those involved should disclose all interests, business and otherwise, that might impact upon their objectivity. If there is a potential conflict of interest then that person must withdraw from the tendering process.

Those involved in making a decision must take care not to accept gifts or hospitality from potential suppliers that could compromise or be seen to compromise their independence. Full records should be kept of all criteria used for evaluation.

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

The two people assigned to evaluate the tenders will have the authority to award orders and contracts up to £40,000.

The Headteacher, Finance Director, Chair of Finance + one other member of the Finance, Property and Audit and Risk Committee have the authority to authorise the award of orders or contracts above £40,000 but less than £250,000.

Any award of orders or contracts must be reported to the full Governing Body. Above £250,000 the full Governing Body should authorise the advertising of tenders and authorise the award of such tenders.

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.

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

13.3 Quotations

For orders up to £1,000 at least one verbal quotation or price should be obtained alongside an approved requisition form by budget holder.

For orders over £1,000 and up to £2,500 at least one verbal quotation or price should be obtained alongside an approved requisition form by budget holder and Finance Director.

For orders over £2,500 and up to £5,000 at least three written quotations should be obtained, in addition to best value checks that should be undertaken alongside budget holder and Finance Director Approval.

For orders over £5,000 and up to £25000 at least three written quotations should be obtained in addition best value checks that should be undertaken alongside budget holder, Finance Director and Head Teacher approval.

All goods and services with a value over £25,000 but less than £40,000 at least three written quotations should be obtained, in addition best value checks that should be undertaken alongside budget holder, Finance Director, Head Teacher and Finance and Audit and Risk Committee approval.

Where there are exceptional circumstances (see point 3 – register of interests) where the tendering process cannot be adhered to (emergency works only), these should be fully documented and authorised. The Academy keeps an ‘Exception Record’ to formally record the decision along with the reason(s) which is signed and dated by the Headteacher and where applicable, the Chair of Governors, in accordance with the approved delegated limits. Where interests have been declared the relevant person (Governor or member of staff) should be precluded from the procurement process to ensure that high standards of accountability and transparency can be evidenced. On no account should invoices be authorised by the ‘interested’ party.

All goods and services over £40,000 or a series of contracts which in total exceed £40,000 must be subject to formal tendering procedures. Purchases over £181,302, excluding VAT (Supplies and Services) and £4,551,413, excluding VAT (Works) may be subject to EU procurement rules which require advertising in the Official Journal of the European Union. Guidance on the OJEU thresholds should be sought at the time of tendering to ensure threshold limits are still current and are applied correctly. The OJEU thresholds are to be revisited if and when the U.K has officially left the EU should this happen prior to the next policy review.

The Academy keeps a record of suppliers who have been contacted but who have declined to provide a quotation.

13.4 The Ordering Process

Routine orders up to £1,000 can be ordered by budget holders. In the first instance a supplier should be chosen from the list of suppliers maintained by the Finance Team. A quote or price must always be obtained before any order is placed; this will be in accordance with the Scheme of Delegated Authority and Tendering Policy. If the budget holder considers that better value for money can be obtained by ordering from a supplier not on the approved supplier list the reasons for this decision must be discussed and agreed with the Finance Director or Headteacher. Budget holders and the Finance Office should ensure that the best possible price is achieved. If the price is not the lowest price, then this must be agreed with the Finance Director and documented evidence kept for this decision.

All orders must be prepared using the order/requisition form available on the network which is approved in line with the Scheme of delegated Authority. Once filled in and signed by the budget holder they must be sent to the Finance Office. Orders will only be processed by the Finance Office if there is adequate budget provision within the department.

The order will be recorded on the accounting system which automatically allocates a reference number. It will be dispatched either by e-mail, post or fax. The order will be kept in the Finance Office.

Where necessary an order can be placed using the school debit/charge cards. As the cards are in the name of the school and the Finance Director, only the person in that post can use them. The confirmation of the order must be down-loaded from the computer and kept with the original order.

13.5 Receipt of Goods

The Finance Office must make appropriate arrangements for the delivery of goods to the academy. Once the goods are received by the academy the Reception Office/Finance Office will notify the department that their goods have arrived. It is the responsibility of the department to that the invoice is:

- Agrees with the order
- Goods/services have been received
- The prices are correct
- Certified for payment

If any goods are rejected or returned to the supplier because they are not as ordered or are of a sub-standard quality, then the Finance Office should be notified immediately.

If a budget holder is pursuing a query with a supplier the Finance Office must be informed of the query and periodically kept up to date with progress.

13.6 Catering

The catering manager is authorised to place orders on the phone. No equipment may be ordered without the approval of the Finance Director. Equipment should be ordered as in line with the scheme of delegation policy. Orders should only be made through authorised suppliers.

When the goods arrive at the kitchen, a member of staff checks should check that the delivery is correct. The invoices should be passed to the finance office on a weekly basis.

The Reval machines should be emptied of money daily. The canteen staff should print off the sheets from the Impact cashless System. These sheets and the cash should be locked in a cashbox and brought up to the finance office. No cash is to be kept in the kitchen overnight. The cash is securely locked in the finance office safe.

Requests for catering for events should be made to the Catering Manager.

No kitchen equipment may be removed from the site without the permission of the Catering Manager and the Finance Director.

13.7 Purchase Invoices

- The finance office records invoices on the computer as soon as they are received by the Academy.
- The finance office attaches a payment processing voucher to the invoice and passes it to the budget holder for approval.

- The finance office checks the invoice against the order and delivery note and evidences this on the payment voucher.

13.8 Payment of Invoices

The finance office reviews the creditors' ledger regularly and selects invoices for payment. It is the policy of the Academy to pay all invoices by the due date and to take advantage of any discounts available for early settlement where this is to the Academy's advantage.

Invoices are paid within 30 days unless they are disputed.

Payment is made when the finance office has made the following checks:

- The purchase is recorded on the purchase ledger.
- The purchase represents valid Academy expenditure.
- Goods or services were ordered using the Academy's ordering policy.
- Goods or services have been received and checked to the order and delivery note.
- Payment has not already been made.
- Prices agree with quotations, tenders, contracts or catalogue prices.
- The arithmetic on the invoice is correct.
- The invoice has been correctly coded and authorised.
- Discounts have been taken where applicable.
- VAT is properly accounted for and not claimed on pro-forma invoices.

The Finance Assistant will input details of payments to be made to the purchase ledger and generate the cheques or BACs payments. The cheques or BACs payments must be signed by two signatories from Bank Mandate. For individual cheques over £10,000 a further signature is required from the Char to Governors, Chair of Finance, Property and Audit and Risk Committee or a Governors on the bank mandate.

Non-order purchases must have the prior approval of the Finance Director. They should be kept to a minimum and should only take place when it will affect the smooth running of the budget department. The Catering Manager is authorised to make non-order purchases for standard daily/weekly food supply orders.

13.9 BACS/Cheque payment

All supporting documentation is passed to the bank mandate signatories for signing. The bank mandate signatories sign the supporting to show that they were signing for valid Academy expenditure and that the relevant pre-checking process had been carried out by the finance office.

13.10 Credit notes

Credit notes are attached to the relevant invoices when they are received.

13.11 Completeness of supplier balances

Invoices and credit notes are posted to the computer as soon as the Academy receives them. The finance office reconciles individual supplier balances to supplier statements, where available, on a monthly basis.

14 Income

The governing body has overall responsibility for ensuring that all income due to the Academy is properly accounted for. Day-to-day responsibility for this is delegated to the Finance Director. Income, including valuations for donated services and gifts in kind, is accounted for in accordance with the requirements set out in the academies financial handbook. Receipts are given for all amounts of non-grant income, including transfers between staff.

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

The academy also obtains income from:

- Students, mainly for catering, trips/visits, music tuition
- Coach/minibus hire
- Donations from the Foundation of Christ's Hospital School
- Other donations
- Community use
- Events/functions

Official pre-numbered academy receipts should be issued for all cash and cheques received. All cash and cheques should be kept in one of the safes in the Finance Department prior to banking in line with safe limit recommendations.

Monies collected must be banked in tact in the appropriate bank account. The finance office is responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system. The reconciliations must be prepared promptly after each banking and must be reviewed and certified by the Finance Director.

14.1 Controls over incoming funds

14.1.1 Catering Income

The income received daily by the Catering department must be reconciled against the till receipts by the Catering Manager or her Deputy.

The income is then taken to the safe in the finance office for safe custody prior to banking. Each week a banking paying in slip is completed and the income is handed over to the finance officer for banking.

The finance assistant will reconcile the till receipts against the paying in slips totals.

14.1.2 Postal receipts

All incoming cheques and cash are recorded immediately and entries verified by someone other than the person who has made the entry.

14.1.3 Fund-raising events

Records are maintained for each fund-raising event, in sufficient detail to identify gross receipts and how they have arisen, and all costs incurred.

For all events for which there is ticket income or gate money, reasonableness checks are carried out to ensure the takings equate to the number of tickets issued multiplied by the price per ticket. Similar records are maintained for sponsored events.

14.1.4 Letting of Academy facilities

All lettings are subject to a letting agreement, setting out the terms and conditions of the Academy letting, including the agreed charge.

The governing body approves letting rates. Free use and charges below economic cost are not permitted.

- All hiring of Academy equipment and facilities is recorded by the Lettings Manager in a lettings diary.
- The lettings diary is reviewed by the Lettings Manager on a monthly basis to ensure that all lettings have been invoiced.
- When a letting is booked the hirer completes a hire form.
- The Lettings Manager generates sales invoices from the computer.
- All monies are received at the end of each month
- Monies are paid via BACs payment or through cheque

14.1.5 Academy trips

A lead teacher must be appointed for each trip to take overall responsibility for the trip. A full costing of the trip must be carried out before financial commitments are made and this must be approved by the Headteacher and the information shared with the Finance Director. The lead teacher must also prepare a record for each student intending to go on the trip showing the amount due. A copy of the record must be given to the Finance Office.

All monies received for trips are paid to the finance office or electronically via the online payment system. The finance office is responsible for keeping adequate records of income and expenditure.

All receipts are banked intact.

The finance office prepares a final income and expenditure account for each trip which has taken place and reports these to the Headteacher. The Headteacher ensures that money collected and expended for each trip is in accordance with the Academy's charging policy.

14.1.6 Private use of facilities

It is expected that should a member of staff use the Academy's facilities for private use (eg telephone calls) he/she should pay for that service and the money will be receipted by the finance team.

Invoices will be generated for private use of the photocopier.

14.2 Bad debts

The Academy chases all money due to it, which has not been paid within 30 days of an invoice being issued, by telephone, email, text and/or letter, depending on how much time has elapsed since the money was due to be paid.

If a debt remains unrecoverable after one year, or, if during the year, it becomes clear that the debt will remain unpaid, authority to write off the debt is as follows:-

- Up to £500 - The Headteacher in conjunction with the Finance Director
- Over £500 – The Finance, Property and Audit and Risk Committee

Bad debts are only written off when the Academy has followed all reasonable practical procedures to ensure their recovery. The DfE/ESFA's prior approval is obtained if debts to be written off are above the value set out in the Bad Debts policy.

14.2.1 Debt escalation protocol – companies

- First statement sent if invoice remains unpaid after 30 days.
- Second statement sent if invoice remains unpaid after a further 14 days.
- Final reminder letter sent if invoice remains unpaid for a further 14 days - The final reminder is sent by recorded delivery and threatens legal action if the account is not settled within 14 days.
- After 12 weeks from the date of the account, where the debt is still outstanding, legal action will be considered, and the debtor will be informed of this in writing.
- Referred to Finance, Property and Audit and Risk Committee at next available meeting if invoice still remains unpaid.

14.2.2 Debt escalation protocol – trip payments

- Memo to trip organiser of any debt outstanding after closing date of final payment.
- First letter home if trip organiser has not managed to contact parent after 7 days
- If payment is not received before the date of departure then the students will not be permitted to travel
- Recovery letter sent to parent recoup financial losses incurred by Academy due to default in payment

15 Bank and cash

15.1 Bank Accounts

Lincoln Christ's Hospital School has three current accounts, the main school account, the capital account and the school fund account. There are deposit accounts which are all held with Lloyds TSB in which the school can invest funding for a specific period of time in accordance with the investment/reserves policy. There is also a sports fund allocation of funding which is invested separately from all other bank accounts/deposit accounts.

The list of signatories as per the bank mandate can be found in the finance office.

The Finance Director has the authority to open deposit accounts within Lloyds up to £300,000 after discussing it with the Headteacher and the Chair of the Finance, Property and Audit and Risk

Committee. Any deposit accounts opened with other banks would have to be ratified by the Chair of Finance and in turn the Chairman's Group.

The academies financial handbook now states 'Trusts have already been warned against becoming overdrawn, but the handbook now explains that doing so could breach restrictions on borrowing'.

15.2 Bank reconciliations

All bank accounts are reconciled on a monthly basis by the Finance Assistant and the Finance Director reviews all reconciliations, signing them as evidence of review. Reconciliation procedures must ensure that:

- all bank accounts are reconciled to the academy's cash book;
- reconciliations are prepared by the Finance Assistant
- reconciliations are subject to a monthly review carried out by the Finance Director
- adjustments arising are dealt with promptly.

15.3 Payments and Withdrawals

All cheques and other instruments authorising withdrawal from academy bank accounts must bear the signature of two from the signatory list up to £10,000. Withdrawals over £10,000 must have three signatures at least one of which must be the Chair of Governors/Finance, Property and Audit and Risk Committee, or a governor in line with the bank mandate. This is in line with the Scheme of Delegation

Signatories are not allowed to sign a cheque reimbursing themselves.

15.4 Deposits

Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include:

- The amount of the deposit

A reference, such as the number of the receipt or name of the debtor

15.5 Debit Cards

The academy has two debit cards which are for the two current accounts and are in the name of the school and the Finance Director.

The cards are only to be used by the Finance Director and are restricted to internet use and where it is not possible to use a cheque or BACs payment.

The Safety of the cards and PINs are under direct responsibility of the Finance Director.

The Finance Director IT Manager and the Estate Manager hold a school credit card, this is subject to the charge card policy/terms and conditions

15.6 Petty Cash Accounts

The academy maintains a maximum cash balance of £500 for the Finance Office cash tin. Petty cash payments will be in line with the Expenses policy and Petty cash process.

The finance office banks all cash and cheques. All income is to be banked intact. Unbanked receipts are kept in a safe to safeguard against loss or theft. In no circumstances do cash holdings on the Academy premises exceed the insured limit.

The Finance Assistant is responsible for entering all transactions into the petty cash records on a regular basis with a regular cash count taking place to ensure that the cash balance reconciles to supporting documentation.

Petty cash should be held in a locked cash box which is put into one of the safes overnight. Cash should be transferred to the bank on a regular basis to enable the greatest amount of interest to be made.

16 Expenses

Expenses must be submitted as soon as practical after the cost has been incurred. All expenses must be in line with the Academy Travel and Expenses Policy and within budgets set.

All expenses must be submitted to applicable line managers for approval in the relevant period of which it was incurred. They will then forward the claim onto the HR Manager. Expenses claims should be completed and receipts relating to the expenditure need to be attached.

Expenses should then be coded to the relevant cost category (e.g. travel and subsistence, text books etc) and also by the relevant cost centre/department (e.g. Maths, English etc)

Expenses must be processed in adherence to the Travel and Expenses Policy.

17 Investments

Investments must only be made in accordance with the investment and reserves policy approved by the governing body.

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

18 Fixed Assets

18.1 Asset Register

All items purchased with a value over the academy's capitalisation limit of £2,500 must be entered in an asset register. The asset register should include the following information:

- asset description
- asset number
- serial number (if available)
- date of acquisition
- asset cost
- source of funding
- expected useful economic life
- depreciation

- current book value
- location
- name of member of staff responsible for the asset

The asset register helps:

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

18.2 Security of assets

Equipment must be secured by means of physical and other security devices.

All the items in the register should be permanently and visibly marked as the academy' property and there should be a regular (at least once a year) 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 Finance, Property and Audit and Risk Committee. 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 they should also be noted.

18.3 Disposals

Asset items which are to be disposed of by sale or destruction must be authorised for disposal in accordance with the Scheme of Delegated Authority.

The academy must seek the approval of the DfE in writing if it proposes to dispose of an asset for which capital grant in excess of £20,000 was paid.

Disposal of equipment to staff should be discouraged, as it may be more difficult to evidence the academy obtained value for money in any sale or scrapping of equipment. In addition, there are complications with the disposal of computer equipment as the academy would need to ensure licences for software programmes have been legally transferred to a new owner.

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

All assets being considered for disposal will be discussed by the Headteacher and the Finance Director and options considered to ensure best value is obtained.

18.4 Loan of Assets

Items of academy property must not be removed from academy premises without the authority of the Head of Department. A record of the loan must be recorded on a loan of equipment form and booked back into the academy when it is returned.

The Head of department will be asked for a copy of a loan of equipment form, should an item of equipment be missing when a fixed asset audit is undertaken.

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.