



## Ashton on Mersey SCITT Financial Management Policy

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**Overall Purpose:** Seek to ensure a high standard in the management of public finances.

Key Policies designed to achieve this are to maintain and seek continuous improvement in both Financial Planning and the provision of Financial Services.

### **Financial Planning**

#### **Policy**

- Overall financial planning and budget strategy
- Budget strategy related to the annual SCITT Improvement Plans
- Ensure that the long term level of revenue commitments does not exceed long term funding likely to be available including reasonably expected levels of future grant settlement
- Maintain three year budget projections and medium term financial planning, based where necessary on alternative scenarios to reflect uncertainty of spending and resources assumptions in order to set the likely context for making final resource allocation decisions on an annual basis
- Minimise levels of non-earmarked reserves, subject to risk assessment, in order to maximise use of available funds on service provision
- Review the rationale and adequacy of earmarked reserves on at least an annual basis
- In order to allow budgets to operate within firm cash limits, allocate provision for inflation at the start of the financial year and require excess inflation to be absorbed
- Budgets expected to contain spending within the approved cash limit, with no supplementary allocations being available other than in exceptional circumstances unless a specific contingency provision made within the budget
- Encourage applications for specific grants/partnership funding designed to maximise the resources available to the partnership
- Review the levels of fees and charges at least annually and set budget limits on the assumption that the level of charges increased in line with assumed inflation on gross expenditure
- Seek best value in spending, bearing in mind that consideration of quality, risk, sustainability, environmental impact, local economic development and equalities may all be relevant in additional price.

### **Effective management of budgets**

- Devolution of budgets to education departments combined with appropriate financial training, provision of appropriate systems to generate management information and a framework of sound internal controls including Financial Regulations and Procedures
- Rigorous annual budgeting and budget monitoring processes
- Maintain integrated accounting and budgeting systems and set a consistent overall financial framework across the Federation.

### **Ensuring good practice and probity**

- Recognise the statutory and corporate finance roles of the Education Funding Agency (EFA) in ensuring lawful and financially prudent decision making
- Provide annual external audit assessment for the board of Governors of all statutory financial statements of Ashton on Mersey SCITT
- Develop IT systems designed to enhance the provision of financial management information to users
- Maintain and work with the EFA to apply Financial Regulations and associated financial procedures in support of good practice in financial administration and corporate governance
- Comply with the CIPFA Code of Practice for treasury management
- Comply with accounting and audit standards contained in the relevant Academies Financial Handbook, Codes of Practice and CIPFA guidance.

### **Tendering - Example Process**

#### **Tendering - Introduction**

Tendering is a formal procedure in which suppliers are invited to submit a sealed bid to a purchaser. Their bid is then evaluated together with other bids received against specified criteria. This process is undertaken by a team normally comprising the user, the purchaser and a technical expert if appropriate.

This section sets out what is generally regarded as good practice in tendering and should be considered subject to any requirements imposed by EU Regulations.

#### **SCITT policy**

The strategic board should establish a tendering policy. This entails determining:

- The threshold value of goods and services above which a tender must be used, and the minimum number of tenders required
- The levels of delegated authority in decision making
- When such authority and approval is necessary.

The threshold levels for the value of goods and services above which the tender process should be used will vary. The levels chosen can depend on a variety of factors such as the overall size of the SCITT in financial terms or the nature of the purchase/supply. Different levels may, for instance, be appropriate for equipment or building work. In this case, the SCITT's financial advisers or auditors



will generally be pleased to advise the strategic on a tendering policy, eg, the threshold value for tendering which provides a suitable degree of control without being administratively cumbersome.

A careful analysis and comparison of all possible options is essential to make sure value for money is obtained. The SCITT must also retain all documentation supporting tender decisions, particularly where it is decided to accept other than the lowest tenders. It must ensure that no work commences until formal letters of approval are issued.

### Types of Tenders

There are three basic types of tender:

1. **Open Tender:** this is where all potential suppliers are invited to tender. It is the preferred type as it is most conducive to competition and the propriety of public funds. The SCITT must consider either how best to advertise for suppliers, e.g. general press, trade journals, or whether to identify all potential suppliers and contact directly if practical.
2. **Restricted Tender:** this is where certain suppliers are specifically invited to tender. Restricted tenders are appropriate where either:
  - A large number of suppliers would come forward
  - The nature of the goods are such that only specific suppliers can be expected to supply the SCITT's requirements
  - The costs of publicity and advertising are likely to outweigh the potential benefits of open tendering or
  - There is a need to maintain a balance between the contract value and administrative costs.
3. **Negotiated Tender:** the SCITT may negotiate the terms of the contract with one or more suppliers of their choice. This is appropriate in specific circumstances where either:
  - Open and restricted tendering has resulted in either no or unacceptable tenders
  - Only one or very few suppliers are available and therefore direct negotiation will prove more effective with each supplier than attempting an open or even a restricted tender
  - Extreme urgency exists or
  - Additional deliveries by the existing supplier are justified.

Instances of negotiated tenders should be reported to the next meeting of the strategic board where necessary, with the reasons for deciding to negotiate.

If using open or restricted tendering, the process will be facilitated the SCITT:

- Do not invite too few or too many first to tender
- Research the market thoroughly
- Do not issue unnecessarily bulky tender documents
- Allow suppliers enough time to prepare submissions
- Have a systematic evaluation procedure
- Advise suppliers of selection and evaluation criteria
- Use post tender negotiation for clarification where appropriate (fine tuning)
- Use adequately trained staff.

### **Preparation for Tender**

Clarity is essential to avoid misunderstanding. Initial specifications need to be drawn up as precisely as possible and schools need to ensure that all suppliers' bids are based on exactly the same specifications as the original invitation to tender. Full consideration should therefore be given to:

- Budgeted funds available
- Objective of project
- Overall requirements
- Technical skills required
- After sales service requirements
- Form of contract
- Delivery dates/times.

Consideration should also be given to the shortlisting process (if necessary) and the format of presentations and/or interviews.

### **Invitation to Tender**

If a restricted tender is to be used then an invitation to tender must be issued. If an open tender is used, an invitation to tender may be issued in response to an initial enquiry.

An invitation to tender should include the following:

- A letter of invitation with instructions to tenderers
- A pre-addressed referenced label for tenderers to submit with their response  
Introduction/background to the project
- Scope and objectives of the project
- Technical requirements
- Implementation of the project
- Terms and conditions of tender
- Form of response.

Tenders should be submitted as sealed bids and on receipt the SCITT should:

- Record the date and time of receipt on the envelope
- Store safely and securely the unopened tenders until the specified date and time for opening.

### **Opening of Tenders**

Tenders should be opened as soon as possible after the specified deadline for receipt and this should only be undertaken by staff authorised to do so. The following information should be recorded:

- Date and time of opening
- Names and signatures of those present
- Value of each tender
- Details of suppliers who declined the invitation, or failed to submit a tender;
- Any omissions in the submission, e.g., documents, signatures, missing data, etc.
- Any changes made with correction fluid should be circled and initialed.



Late tenders should normally be rejected and retaining unopened until the contract has been awarded and then returned to the tenderer together with an explanatory note.

### **Criteria for Evaluation of Tenders**

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.

Financial issues to consider should include:

- Whether like is being compared with like and that a lower price does not mean a reduced service or lower quality. If this is the case the SCITT should consider whether the specification will be met; alternatively, a higher specification at a higher price may be in excess of the SCITT's requirements and thus may not represent value for money
- Ensuring that the tender price is the total price and that there are no hidden or extra costs
- Whether there is scope for negotiation
- Financial status of supplier. Suppliers in financial difficulty may have problems completing contracts and in the provision of after sales service.
- The SCITT may wish to examine suppliers' audited accounts. The SCITT should be aware that credit agencies can provide financial information on companies for a small charge
- The difficulty in changing contractors part way through a contract should this prove necessary. The financial implications may be significant.

Technical issues to consider should include:

- 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 to be taken into account are:

- Pre-sales demonstrations
- After sales service.

### **Re-tendering of Contracts**

The SCITT should consider carefully the frequency with which ongoing contracts are put out to tender. A balance needs to be struck between regularly testing value for money against developing a supplier relationship and administrative costs. For example, if a tender were issued too frequently, unsuccessful firms may lose interest in re-tendering and a good relationship may not develop with the successful supplier. If a tender is issued too infrequently, the existing supplier may become complacent leading to poor value for money.

### **Evaluation and Approval of Tenders**

Tenders should be evaluated against the set criteria. This will assist in ensuring value for money is achieved. The evaluation should be documented fully and the documents retained.

The decision-making level will depend on the scheme of delegation within the SCITT. It may, for example, be the SCITT Manager for small contracts, with a report to the strategic board of decisions made, and the strategic board, for larger contracts. In all cases, a formal report should be prepared,



summarising the evaluation with a recommended decision. After consideration, the decision should be recorded fully. All tenderers should be informed of the decision.

The evaluation process should involve at least two people. Those involved should disclose all interests, business or personal, that might impact upon their objectivity.

If there is a potential conflict of interest then that person must withdraw from the tendering process. Positive confirmation should be required from all involved in a decision that they have no interest in the award. This should include friends and relatives.

The SCITT may wish to engage the assistance of professional contract managers where tenders or contracts are complex and for significant sums of money. For example, in the case of the acquisition of a major computer system, appropriate technical and evaluative advice may be available from specialists.

Gifts or excessive hospitality from potential suppliers should not be accepted since it could compromise or be seen to compromise impartiality.

### **Notification to Tenderers**

All organisations who submitted a tender should be advised of the outcome of the process as soon as is reasonably possible following evaluation of the submissions.

### **Contracting – Example Process**

#### **Service Levels**

When considering future service provision the current level of service should not be regarded as the standard needed. The SCITT should consider whether the service is necessary, and the appropriate level given the SCITT's budgetary constraints. The SCITT may decide that a higher level of service is appropriate.

#### **Potential Providers**

When considering the provision of services, the SCITT should consider three options:

- Provide in-house
- Local authority
- External contractor.

Evaluation of the value for money of each option should be made. The in-house option may appear in some instances to be the cheapest. However, factors such as disruption of current activities, overload of staff, quality and expertise, cost of management and administrative time, and management risk should be considered.

The SCITT should consider a LA as a contractor along with all other sources before awarding a contract. As with any existing contractor the SCITT should consider the quality of service received in the past, quality of service expected in the future, together with cost compared with that of other providers.

#### **Service Contracts**

Contracts are essentially of three types:

- Pay as you use (hourly rate)
- Fixed entitlement
- Insurance (where a supplier covers all circumstances for a fixed price)



The SCITT must consider the costs and benefits of each.

Pay as you use (hourly rate) contracts are straightforward but may give the supplier little incentive to control their time as the cost is passed on. If the SCITT needs to use the service more than anticipated the additional costs will be met by the SCITT. This type of contract allows the SCITT to adjust to changing circumstances by using less or more of the service.

Fixed entitlement contracts allow the exact cost to be known in advance. This aids budgeting and planning. However, suppliers may be tempted to inflate prices in anticipation of problems and therefore may be more expensive. The SCITT is offered a fixed entitlement to a specific level of service at a set price, eg, a certain number of days' advice on curriculum.

Insurance type contracts are most appropriate where usage is difficult to predict in future periods, eg, legal advice, personnel advice. The SCITT pays a premium to ensure unlimited access to a service if and when certain conditions are met.

Insurance type contracts may have a no claims bonus attached. All contracts should be specifically drawn up and be as detailed as possible to eliminate any likelihood of misunderstanding.

Key areas to cover are:

- Level of service
- Scope of work
- Frequency and timing
- Calculation of charges
- Criteria for successful delivery of the contract
- Means of redress if this is not achieved
- Any cancellation costs
- Due date for payment.

Before the strategic board enters into any contract it should consider whether or not to take legal advice. Factors to consider are the size of the contract, the nature and extent of the liabilities to be taken on by the SCITT, the likely cost of obtaining legal advice and whether there are any special conditions to be incorporated in the contract.

### **Monitoring of Agreements and Contracts**

It is essential that the SCITT monitors all agreements and contracts closely and on an ongoing basis to ensure satisfactory delivery. Issues to consider are:

- The strategic board should approve all major contracts as set out in their scheme of delegation
- Staff involved with the service should be involved in the purchasing and monitoring operation. The role of negotiation and administration could be delegated accordingly. The responsibilities of staff should be clearly defined and be in line with their capabilities and experience
- Monitoring should be an ongoing process and all concerns should be raised with the contractor. The SCITT should maintain a written record of communications related to all such concerns
- The SCITT should ensure that the hirer or lessor has arrangements in place for prompt repair of equipment under contract.



In accordance with the County Council's Financial Regulations, every contract over £500 must be recorded in writing, and full supporting documentation must be kept, including a clear statement of:

- What the contract is for
- What is to be paid for it
- When it is to be performed.

### **Construction Industry Scheme**

The HM Revenue & Customs amended the Construction Industry Scheme from 6 April 2007.

This means that the SCITT as part of Ashton on Mersey School:

- Can pay suppliers in the building industry direct without having to process invoices via the Exchequer Section at County Hall
- Are no longer required to send in Construction Industry Scheme returns, including nil returns, on a termly basis
- No longer have to ensure that contractors are registered under the Construction Industry Scheme.