



## **Financial Policies and Procedures Manual**

***Date: April 2017***

# **CONTENTS**

## **1.0 INTRODUCTION**

## **2.0 ORGANISATIONAL STRUCTURE**

- 2.1 Overview
- 2.2 Trust Members Board (Trust)
- 2.3 Finance and Audit Committee
- 2.4 Board of Directors (Board)
- 2.5 Local Governing Bodies (LGB's)

## **3.0 FINANCIAL CONTROL**

- 3.1 Risk Management
- 3.2 Segregation of Duties and Authorisation Levels
- 3.3 Security of Stock & Other Assets
- 3.4 Insurance

## **4.0 ACCOUNTING RECORDS**

- 4.1 General Records
- 4.2 VAT Records

## **5.0 ACCOUNTING SYSTEM**

- 5.1 System Access
- 5.2 Data Security and Back Up
- 5.3 Transaction Processing

## **6.0 ROUTINE ACCOUNTING PROCESSES**

- 6.1 Bank Reconciliation
- 6.2 Purchase Ledger Reconciliation
- 6.3 Sales Ledger Reconciliation
- 6.4 Payroll
- 6.5 Budget Monitoring
- 6.6 Cash Flow Forecast

## **7.0 REPORTING**

## **8.0 FINANCIAL PLANNING**

- 4.1 General Principles
- 4.2 Budget Process

## **9.0 CASH MANAGEMENT & BANKING**

- 9.1 Bank Accounts
- 9.2 Deposits
- 9.3 Payments & Withdrawals
- 9.4 Administration

9.5 Bank Statements

9.6 Petty Cash Accounts

## **10.0 EXPENSES**

6.1 General Principles

6.2 Reimbursement of Expenses

## **11.0 INCOME**

11.1 General Principles

11.2 Income Sources

11.3 Grant Income

11.4 Donations & Sponsorship

11.5 Fundraising

11.6 Charging for services

## **12.0 PURCHASING**

12.1 General Principles

12.2 Orders up to £1,000

12.3 Orders £1,000 - £5,000

12.4 Orders £5,000 - £50,000

12.5 Orders £50,000+

12.6 Tendering process

12.7 Invoice Processing

12.8 Contract / Self Employed Staff

## **13.0 PAYROLL**

13.1 Staff Appointments & Amendments

13.2 Severance Payments

13.3 Payroll Administration

13.4 Payments

## **14.0 FIXED ASSETS**

14.1 Asset Register

14.2 Disposals

14.3 Annual Review

14.3 Leases

## **15.0 REGISTER OF BUSINESS INTERESTS**

11.1 Trading with Connected Parties

11.2 Novel and/or contentious transactions

## **16.0 DELEGATED FINANCIAL AUTHORITY**

## 1. Introduction

The purpose of this policy and associated procedures is to ensure that the Sola Fide CE Trust ("the Trust") maintains and develops systems of financial control which conform to the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of the Trust's Funding Agreement with the Department for Education (DfE).

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

This policy relates to all of the Trust's academies. Adherence to the principles and procedures contained in this policy is mandatory for all staff.

This policy is designed to be consistent with:

- EFA Financial Handbook
- Trust Articles of Association / Constitution
- Master and Supplemental Funding Agreements
- HM Treasury's "Regularity, Propriety and Value for Money".

This policy is linked to the Trust's Governance Role and Function Matrix which describes the roles and functions of groups of individuals within the Trust's Organisational Structure

## 2.0 Organisation Structure

### 2.1 Overview

The Trust has defined the responsibilities of each function and person involved in the financial administration of the Trust to provide a framework of accountability in accordance with the scheme of delegation.

### 2.2 The Trust Members Board

The Trust Members Board has overall statutory responsibility for oversight of the financial management of Sola Fide CE Trust.

**The Trust Members Board has elected to delegate these duties to the Board of Directors Finance and Audit committee.**

The Members are required to monitor and evaluate the effectiveness of the school's financial management procedures and to ensure that the Trust's financial arrangements are compliant with relevant laws and regulations.

These responsibilities include:

- Agreeing the long term financial objectives of the Trust;
- Ensuring that Grants from the DfE are used only for the purposes intended;
- Delegating the management of the Trusts budget to the Executive Head and the Board of Directors;
- Delegating day-to-day financial management of the trust to the Executive Head;

- Approval of the annual budgets and any material changes;
- Receiving reports on the expenditure against budget;
- Making decisions on actual financial requests from the Board;
- Appointment of internal auditors;
- Reviewing the reports of auditors;
- Authorising contracts according to approved limits;
- Approval of the annual accounts;
- Review annually the Finance Policy and Scheme of Delegation;
- Review annually the terms of reference of the Finance and Audit Committee
- Agreeing the membership of the Finance and Audit Committee annually, including the Chairperson;

The Chair of the Finance and Audit committee is required to report at each Trust Members Board meeting

- Decisions made by the Finance and Audit Committee re any of the areas of financial responsibility of the Trust Members Board.
- Disclose any significant areas of discussion by the Finance and Audit Committee.
- Disclose any pending decisions or areas of review from the Finance and Audit Committee
- Present for formal ratification any area of statutory responsibility of the Trust of Members Board.

### 2.3 The Board of Directors Finance and Audit Committee

**The Finance and Audit Committee holds the designated responsibility for the oversight of the financial management of Sola Fide CE Trust.**

The Finance and Audit Committee comprises a sub group of the Members and Board of Directors including:

- The Executive Head (Accounting Officer)
- Finance Director
- 3 other's (one of which must be a Trust Member)

It is the role of the Trust Members Board representative to monitor and oversee the progress and impact of the Finance and Audit Committee and to provide all relevant and necessary information to the Trust Members Board.

The group will meet as required periodically throughout the year to review finances, approve budgets and accounts, review and approve contracts.

## Responsibilities

In addition to the responsibilities listed under the Trust Members Board the committee will:

- Review internal financial controls to ensure that the processes and policies adopted by the Board in the day to day management of the Trust:
  - Safeguard the Trust's assets
  - Allow the administration of the Trust's finances whilst managing risk
  - Deliver quality financial reporting
  - Maintain adequate accounting records
  - Produce timely, accurate financial information.
- Provide updates to the Trust Members Board according to the terms of their delegated duties

## Authority

Any decisions regarding the formal approval of the annual budget, annual accounts, appointment of auditors, and membership or terms of delegation for the Finance and Audit committee must be presented to the Trust Members Board for formal ratification.

Any other decision made by the committee represents a decision by the Trust Members Board.

## 2.4 The Board of Directors

The Board of Directors has the delegated responsibility for the administration and planning of the trust's finances.

The main responsibilities of the Board of Directors include:

- Maintaining high standards of corporate governance.
- Development of finance policy.
- Approval of annual and strategic plans.
- Ensuring sound management and administration of the Trust and its academies and ensuring that managers are equipped with relevant skills and guidance.
- Ensuring compliance with general legislative requirements.
- Establishing and maintaining a transparent system of prudent and effective internal controls.
- Management of the Trust's financial, human and other resources.
- Monitoring performance and the achievement of objectives and ensuring that plans for improvement are acted upon.
- Setting the Trust's standards of conduct and values.
- Assessing and managing risk.
- Assisting to promote the highest standards of propriety in the use of public funds and encourage proper accountability for the use of those funds.

- Improving the quality of financial reporting by reviewing internal and external financial statements on behalf of the Board.
- Promoting a climate of financial discipline and control which will help to reduce the opportunity for financial mismanagement.
- Promoting the development of internal controls and risk management systems which will help satisfy the Board that the Trust and its Academies will achieve their objectives and targets and are operating:
  - in accordance with any statutory requirements for the use of public funds.
  - within delegated authorities laid down by Board of Directors.
  - in a manner which will make most economic and effective use of resources available.
- Submitting grant and funding applications to secure future revenue streams.
- The preparation of management accounts, annual accounts and financial reports.
- Authorising orders, contracts and payments within agreed limits.
- Compliance with tax legislation, including maintenance of records and reporting.
- Management of finance related third party service providers.

### **The Executive Head (Trust Accounting Officer)**

The Executive Head is a member of the Board of Directors and is the Trust's Accounting Officer as defined in statute.

The Accounting Officer has personal responsibility for the propriety and regularity of the public finances for which he / she is answerable

The main responsibilities of the Executive Head include:

- Setting the strategic plan of the Trust.
- Establishing the strategic financial framework for each school, including the review of staffing structures.
- The initial review and authorisation of the budget.
- The regular monitoring of actual expenditure and income against budget.
- Ensuring annual accounts are produced in accordance with the requirements of the Companies Act 1985 and the DfE guidance issued to academies.
- Ensuring that the regular reports provided to the Board are timely and accurate.
- Authorising orders, payments and the award of contracts within the approval limits.
- Authorising changes to the Trust's personnel structure.
- Appointment of staff, approval of changes to staff contracts, approval of annual pay awards according to the Trust's Governance Roles and Function Matrix

## **Finance Director**

The Finance Director is a co-opted member of the Board of Directors.

The Finance Director works in close collaboration with the Executive Head.

The main responsibilities of the Finance Director include:

- The management of the Trust's financial position.
- The maintenance of effective systems of internal control
- The preparation of budgets and medium term financial plans
- Cash flow and treasury management including managing investments
- Functional management of Academy Business Managers (under a matrix management approach with the academy Head Teachers)
- Authorising orders, payments and the award of contracts within approval limits
- Ensuring financial returns to EFA and other funding agencies completed correctly and on time
- Ensuring financial returns to statutory agencies are completed
- Submitting grant applications
- Ensuring that annual accounts are properly presented and adequately supported
- Overseeing the preparation of monthly management accounts;
- Virement decisions within agreed budgets, across the MAT and within Adademies.;
- Day to day management of the Trust's finances including all necessary posting and reconciliation of financial transactions.
- Liason with external auditors
- Responding to the requirements and request for information from both internal and external auditors

## **2.5 Local Governing Body (LGB's)**

The Local Governing Body's have delegated authority to oversee the financial operations of the school to the agreed authorisation limits.

The main responsibilities include:

- Initial review and authorisation of the academy annual budget, to be aligned to the strategic direction provided by the Executive Head Teacher and Finance Director/
- Ensuring the register of pecuniary interest is kept up-to-date
- Review of any records held by the Trust in relation to the academy relating to Gifts & Hospitality, Anti Bribery and Corruption and Whistleblowing.
- Regular monitoring of actual expenditure and income against budget
- Authorising orders, payments and the award of contracts within agreed limits
- Proposals re academy strategy and structure to the Board via the elected MAT Academy Director.
- Review internal Trust reports on the effectiveness of the financial procedures, controls and performance of the Academy within the context of the Trust.

- Appointment of staff, approval of changes to staff contracts, approval of annual pay awards according to the Trust's Governance Roles and Function Matrix

### **Academy Head Teacher**

The Executive Head has overall executive responsibility for the Academies financial activities.

The Academy Headteacher has responsibility for:

- Appointing new staff members approved within the annual budget.
- Authorising orders, payments and the award of contracts within approval limits
- Ensuring the delivery of the academy annual budget to the Finance Director
- Monitoring the regular budget reports with the Academy Business Manager and acting on overspends or risk
- Ensuring the register of pecuniary interest is kept up-to-date
- Providing direction to the strategic planning of the Academy
- Monitoring the effectiveness of the financial procedures, controls and performance of the Academy and alerting the Finance Director of any concerns.
- Administration and communication of all relevant HR policies relating to expenses, gifts, hospitality, bribery, corruption and whistleblowing according to the terms of the policies.
- Safeguarding the assets of the academy including but not limited to, the grounds and premises, equipment, resources, fixed assets and any cash held on the premises.
- Appointment of staff, approval of changes to staff contracts, approval of annual pay awards according to the Trust's Governance Roles and Function Matrix

### **School Business Manager**

It is envisaged that each academy will have an appointed Business Manager or a person who undertakes that role albeit, with a different job title

The School Business Managers work in close collaboration with the Finance Director and Academy Headteacher

The main responsibilities of the Business Manager are:

- The day to day management of academy financial issues including, but not limited to;
  - Processing orders, invoices, payments
  - Responding to supplier queries
  - Raising invoices, monitoring debtors, and chasing outstanding debts.
  - Resolution of supplier queries
  - Preparation of data for input into statutory returns and funding applications
  - Management of petty cash and the banking of monies received into the academy

- Weekly review of bank accounts and identification of income and expenditure in the period
- Monthly review of debtor and creditor accounts, including taking relevant actions to address outstanding issues.
- Review of payroll reports and notification to payroll provider of any discrepancies.
- Administration of changes in payroll / personnel with third party service providers
- Preparation of monthly schedules including accruals and prepayments
- Maintaining an electronic log of all invoices / contracts that relate to services that cover more than 30 days.
- Preparation of academy outturn projections to aid budget planning
- Input into budget process
- Authorising orders and payments within approval limits
- Ensuring that financial controls are working effectively at academy level and highlighting to the Financial Director any concerns.
- Maintenance of VAT records and invoices, applying VAT rules on all purchases and sales according to HMRC legislation.
- Ensuring the timely and accurate recording of financial transactions according to the Chart of Accounts structure and EFA reporting requirements
- Maintenance and administration of financial processes and systems at an Academy level as required by the Finance Director
- Production of financial reports as required by the Finance Director, Head Teacher and LGB
- Identification of fixed asset invoices to ensure the correct accounting treatment and maintenance of records.
- Monitoring the use of, removal, disposal and sale of any asset.
- Obtaining details of all losses or damage to school assets and liaising with the Finance Director to agree the correct accounting treatment.
- Liaison with external auditors
- Responding to the requirements and request for information from both internal and external auditors
- General finance and admin tasks as required by the Finance Director, Head Teacher and Local Governing Body

### **All Staff**

All Trust staff, including those explicitly described in this document, 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.

## 3.0 Financial Control

### 3.1 Risk Management

Risk Management is ongoing within the Trust and is the primary responsibility of the Trust Members Board.

Risks are categorised into the following areas to create perspective and to allow the Trust Members Board and staff to focus on key risks:

- People
- Curriculum
- Reputation
- Finance
- Assets
- Compliance
- Strategy

Risk is managed in a number of ways including:

1. **Risk Register:** Risks are captured in the risk register and action plans prepared to either address the risk, or to be actioned in the event of a risk materialising.

The register is reviewed and updated by the Trust Members Board on a regular basis.

2. **Strategy:** In developing the Trust's strategic plan a number of scenarios are produced, testing sensitivity in key metrics such as pupil numbers and levels of funding.

3. **Culture:** The Trust Members Board and Board of Directors encourage a culture of risk awareness within the teams across the Trust.

4. **Process and Policy:** The Board of Directors and Trust Staff have created procedural documents and policies aimed at reducing risk and to safeguard the Trust's assets.

These policies are continually developed and monitored to ensure their effectiveness.

Key policies include

- Whistleblowing
- Charging
- Pay
- Contingency and Business Continuity
- Travel Expenses
- Gifts & Hospitality
- Anti-Bribery and Corruption
- Financial policy and procedure
- Treasury Management

5. **Contingency and Business Continuity Plan:** The Trust has produced, and reviews annually, a Business Continuity plan that would be exercised in the event of a major incident.

### 3.2 Segregation of Duties and Levels of Authorisation

To reduce the risk of financial mismanagement the following procedures are applied regarding orders, payments and contracts.

- At least two people will be required to process the ordering of goods, receipt of goods / services and a subsequent payment.
- Any person checking / countersigning the work of another person will be of a higher level of authority within the organisational structure.
- Staff will have agreed levels of authorisation regarding orders, payments and contracts dependent upon their level of authority, and this will be documented and reviewed annually.
- At least two people will be required to process any payment run.
- Signatures on documents must be original and in indelible ink.

### 3.3 Security of Stock and Other Assets

The Headteacher of each academy is responsible for the safe custody and control of cash and assets within their school.

Safes and secure cupboards must be kept locked, the keys removed and held securely by the person designated by the Headteacher.

The loss of any keys will be reported immediately to the Headteacher and to the Finance Director.

An inventory will be maintained of all attractive and portable items, with details of make, model, serial number and purchase value.

A documented check of the inventory will be undertaken annually against actual items.

Items with a purchase value of over £100 that are missing will be reported to the Finance Director who will include it in a report to the Finance and Audit committee.

The loan, or temporary removal, of an asset from school premises, must be recorded by the School Business Manager in the "Asset Movement Report", and authorised by the Head Teacher.

Obsolete items to be written off, or items to be sold, will be reported to the Finance Director by the School Business Manager and authorised by the Head Teacher. The disposal, or sale, must be approved by the Finance Director before the asset is removed from the trust's premises, and in the case of Electrical items should be disposed of via an approved WEEE disposal company.

The Academy is subject to the following limits when writing off debts and losses beyond which approval must be sought by the Secretary of State via the Education Funding Agency:

- 1% of **total annual income** or £45,000 (whichever is smaller) per single transaction;

- Cumulatively, 2.5% of **total annual income** in any one financial year per **category of transaction** for any academy trusts that have not submitted timely, unqualified financial returns for the previous two financial years. This category includes new academies that have not had the opportunity to produce two years of financial statements; and
- Cumulatively, 5% of **total annual income** in any one financial year per **category of transaction** for any academy trusts that have submitted timely, unqualified financial returns for the previous two financial years.

Any instances of Fraud or theft above £5,000 will be reported to the Education Funding Agency.

### 3.4 Insurance

The Executive Head will be responsible for arranging appropriate levels of insurance cover for the Trust.

The Trust Members Board will be made aware of the terms and levels of the insurance cover as and when they change.

The Finance and Audit Committee will review insurance arrangements annually to ensure that they are commensurate with risks.

Where any of the Trust's locations are let to a third party, the School Business Manager of the location will obtain a copy of the client's public liability insurance to ensure it is satisfactory.

## 4.0 Accounting records

### 4.1 General Records

Proper accounting records will be kept and properly maintained and held securely.

All financial documents including contracts will be retained for a period of six years in line with legislative requirements. These documents may be held in electronic form.

All financial transaction should be traceable from the original documentation to the accounting records and vice versa in order to provide an audit trail.

All accounting records, including reports and schedules, will be destroyed in a secure manner taking into account the provisions of the Data Protection Act.

### 4.2 VAT Records

In line with HMRC guidance the Academy will maintain the following records:

- Records of all transactions by applicable VAT rate
- Copies of all sales and purchase invoices issued and received.
- Records of any goods donated including rate and amount of VAT.
- Records of any goods or services bought for which the Academy cannot reclaim the VAT, such as business entertainment.
- Any documents dealing with special VAT treatment, such as reliefs, partial exemption or zero-rating by certificate.
- Any adjustments such as corrections to the accounts or amended VAT invoices.

- A VAT account detailing the VAT charged by the Academy and the VAT paid on purchases by the Academy for reporting purposes.

## **5.0 Accounting system**

The Trust uses PS Financials accounting system (PSF) across the Trust.

All financial transactions of the Trust must be recorded on this system.

### **5.1 System Access**

Entry to the PSF accounting system is password restricted and the Finance Director is responsible for change the access rights of the users of the system.

PSF allows users to be set up with appropriate access levels.

The PS Financial Administration system restricts access depending upon the roles of the users, with users only able to enter / raise transactions against the accounts of the school / location for which they are responsible, and within their designated financial limits according to section 16 of this document.

PSF maintains a complete audit trail by user, allowing the Trust to identify the source of any individual posting or transaction.

### **5.2 Data Security and Back Up**

The PSF system is hosted in the cloud, transferring the onus of system stability, data security and data back up to PS Financials.

The key vulnerability to financial data lies in any potential breach of network firewalls, which will be actively monitored at all times. Any breaches in the network firewall will be thoroughly investigated and the outcome reported to the Finance and Audit Committee.

### **5.3 Transaction Processing**

All transactions input to the accounting system must be authorised in accordance with the procedures specified in this policy and according to the authorisation process held within the system.

The detailed procedures for the operation of the purchase ledger and the sales ledger are identified in the associated operational system procedure manuals.

## **6.0 Routine Accounting Processes**

The following key reconciliations will be undertaken on the prescribed basis:

### **6.1 Bank reconciliation – Weekly Basis**

- School Business Manager to identify all amounts received on Bank statement
- School Business Manager to reconcile all monies received from parents / guardians of pupils to include items such as dinner money, before and after school care, extra curricular activities, clubs and trips
- Finance Director to reconcile the cash book to the bank statement

## 6.2 Aged Debtor – Monthly Basis

School Business Manager to analyse aged debtors and take appropriate action to chase any amounts greater than 30 days.

## 6.4 Payroll – Monthly Basis.

- School Business Manager to check payroll reports to ensure all staff changes, adjustments and hourly paid staff are accurately reflected in the payroll report by the payroll provider. Any anomalies should be reported to the payroll provider, and the subsequent reports checked to ensure they have been actioned.
- Finance Director to produce payroll reports for each school for Business Manager to provide analysis of key variances to budget.
- Finance Director to post payroll journals in PS Financials from the information provided by the payroll provider, and reconcile bank payments to the payroll control accounts.

## 6.5 Budget monitoring – Monthly Basis.

- School Business Manager to review actual spend versus budget by account code and cost centre, providing analysis / explanation of any variance greater than +/- 3%.
- Finance Director to review the reports of the individual academies and provide a summary of key variances to the Finance and Audit Committee

## 6.6 Cash Flow Forecast – Monthly Basis.

- Cash requirement analysis – School Business Manager to complete an analysis of the cash requirement for the next three months by month.
- Finance Director to complete analysis of the Trust's cash requirements for the next three months and review in the context of monies placed on deposit.

## 7.0 Reporting

The following reports should be submitted to the Board on a termly basis:

Statement of Financial Activities against budget – On a termly basis compares the actual financial performance against budget to date with a written analysis of any significant variances and their resulting impact.

Balance Sheet – Analysis / commentary on key balance sheet items e.g. Cash, Debtors, Creditors.

Cash Flow – Analysis / commentary on cash balances and forecast by academy and for the trust in total.

## 8.0 FINANCIAL PLANNING

### 8.1 General Principles

The Trust will produce both annual and strategic financial plans by Academy, that will be updated as a minimum on an annual basis, with more frequent updates as required.

The financial planning and budgetary control processes are described in more detail below.

### 8.2 Budget Process

The Finance Director will produce the annual budget in consultation with each individual academy and the Board of Directors.

The annual budget will reflect the best estimate of the resources available to the Trust, by Academy, for the forthcoming year and will detail how those resources are to be utilised.

The process will include the following steps:

- The Executive Head Teacher, in conjunction with the Finance Director and Head Teacher, will review the staffing structures of each school, considering known changes in funding and key variables as an initial input to the budgeting process.
- The academy budget will be prepared by each individual Academy by the School Business Manager in consultation with the Head Teacher and Finance Director.
- The Academy budget will be presented to the Local Governing Body for review.
- The Academy budgets will be consolidated by the Finance Director to form the Trust Budget.
- A Three-year financial plan will be prepared by the Finance Director, based upon the annual plan of the academies, with input from each Head Teacher and School Business Manager.
- The Trust budget and three-year plan will be presented to the Board of Directors for approval and review
- The Trust budget and three-year plan will be presented to the Finance and Audit committee for approval and review.
- The Trust budget and three-year plan will be presented to Trust Members Board for ratification.
- The approved budget will be submitted to the EFA by the Finance Director according to the required timescales.
- Academy budgets phased by month by account code will be produced by each School Business Manager for their individual academy.
- Academy budgets will be loaded into PS Financials by Finance Director.

It is the responsibility of the Finance Director to plan the budget timetable to meet the key planning deadlines.

The budgeting process will incorporate the following elements:

- forecasts of student numbers;
- review of other income sources available to each academy
- review of historical levels of cost and income by academy;
- reflect known changes in annual / long-term contracts;

- review of staffing levels by academy
- financial benchmarking by academy to identify potential opportunities to generate additional income / reduce costs.
- Log of key assumptions

## **9.0 CASH MANAGEMENT & BANKING**

### **9.1 Bank Accounts**

The opening of all bank accounts should be authorised by the Finance and Audit Committee

The Finance Director will review the Trust's banking arrangements annually and discuss any changes with the Finance and Audit committee, including a review of the authorised signatories annually.

### **9.2 Payment Authorisation**

General principles applied when authorising all payments:

- The payment is within agreed authorisation limits
- All payment details are completed and known at the point of authorisation
- System payments are processed via PS Financials and Lloyds online banking system.
- Checks have been made to ensure sufficient funds exist prior to processing payment run.

### **9.3 Deposits**

The receipt of any Trust income must be made directly into one of the Trust's bank accounts.

Any receipt must include a record of the amount, source and description as to the nature of the receipt.

Where the income is generated from a Business Activity, the academy must raise a valid VAT invoice and account for VAT at the prevailing rate.

The School Business Manager is responsible for monitoring the receipt of all grant income to ensure it is correct and received on a timely basis. Any anomaly should be verified with the funding body with an alert to the Finance Director.

### **9.4 Payments and Withdrawals**

All Cheques and BACS payments and other instruments including bank purchase cards authorising withdrawal from Academy bank accounts must be approved in accordance with the agreed Scheme of Delegated Financial Authority.

### **9.5 Bank Statements**

The School Business Manager must ensure bank statements are received regularly and that per the prescribed reconciliation process, bank transactions are reviewed on a weekly basis.

## 9.6 Petty Cash Accounts

Petty Cash will be managed on the following basis:

- The Head Teacher of each academy is ultimately responsible for the management of cash within their school
- The School Business Manager may administer the management of Petty Cash on behalf of the Head Teacher
- Petty Cash should only be received as a result of a donation, with any other monies paid directly into the Academies bank account.
- Petty Cash must not be used for payments.
- Each school may keep a maximum £250 cash float securely within each school.
- Any sum greater than £250 must be flagged to the Finance Director, for payment into the bank account to be arranged.
- Any cash received must be receipted and recorded.
- All receipts must be valid VAT receipts and numbered to correspond to the recording of the payment / receipt in the Petty Cash spreadsheet.
- Petty Cash movements will be recorded in a standard trust spreadsheet.
- All cash must be held in a school safe.
- The maximum amount of cash that can be held on the premises at any one time for insurance purposes is £2,000.

On a monthly basis the School Business Manager will reconcile the balance on the Cash Float to the Petty Cash spreadsheet

## 10.0 EXPENSES

It is the responsibility of each staff member to ensure that costs are appropriate and reasonable and comply with the Trust's Expenses Policy.

Any misappropriation of Trust funds will be treated as a disciplinary action.

Any attempt, knowingly or falsely, to claim expenses in breach of the Expenses Policy will result in disciplinary action.

## 11.0 INCOME

### 11.1 General Principles

The Academy will ensure that all sources of income available are correctly reported and allocated in accordance with set guidelines.

### 11.2 Income Sources

The main sources of income for the Trust are grants, fees and charges and investment income. The receipt of these sums is to be monitored directly at Academy level by each School Business Manager.

### **11.3 Grant Income**

Grant Income is defined as restricted funding due from the EFA, local authority or other public funding body designated for specific expenditure.

Complete records of all Grant Income and related expenditure must be maintained for auditing purposes.

The School Business Manager is responsible for ensuring that all grants receivable by the Academy are collected on a timely basis.

### **11.4 Donations and Sponsorship**

Donations are defined as amounts paid by companies or individuals to the Trust or an individual Academy for the purpose of furthering the objectives of the Trust / Academy.

Donations and sponsorship may come with restrictions from the donors/ sponsors, and it is the responsibility of the Trust to ensure that the utilisation of funds is compliant with any conditions attached.

The School Business Manager is responsible for maintaining records of:

- donations and sponsorship received
- details of any conditions attached
- expenditure allocated against the income received.

The Business Manager will report to the Head Teacher and Finance Director on the decisions taken in regard to the allocation of donations and sponsorship.

### **11.5 Fundraising**

Fundraising is defined as monies given in respect of a specific charitable event held by the Trust / Academy, for the stated purpose of providing funds to support a particular project or initiative.

Fundraising monies should be ring-fenced from other charitable income for the stated purpose for which the monies were raised.

Complete records of the amounts raised and utilised must be kept for auditing purposes.

Monies collected through specific fundraising activities are to be banked in the Academy Current Account and coded in the Finance System to enable clear identification.

The School Business Manager will be responsible for maintaining records of the monies collected, and monitoring use of these funds to ensure that they are allocated in accordance with the fundraiser's remit.

### **11.6 Charging for Services**

The Trust requires all academies to raise invoices within seven days of supplying goods or services to a third party.

Where possible an Academy should request payment in advance to improve cash flow and avoid the time and cost of administering debts.

Bad debts are to be written off in line with the Trusts Scheme of Delegation.

Invoices should be raised using the PS Financials Accounting Software.

Staff and Governors must not use their personal bank accounts to receive Academy income, or use the Academy Bank Accounts to make any personal payments.

## **12.0 PURCHASING**

### **12.1 General Principles**

It is the policy of the Trust to seek the best value for money from all purchases.

The Trust will ensure transparency in the purchase of goods and services, will treat all parties on a fair and equitable basis, and demonstrate that there is no corruption or private gain involved in the contractual relationships of the Trust.

All purchases, invoices and contracts should be signed and authorised according to the Trust's scheme of delegation.

A quote, or price, must always be obtained from a supplier before placing an order.

### **12.2 Guidelines Routine Purchasing < £1,000**

The budget holder should make a written order request to the School Business Manager detailing:

- The Goods / Services required
- Date required
- Approximate price
- Preferred supplier – if the supplier is new, the rationale for using the supplier as opposed to an existing supplier.
- That the item is within budget.

If the order is approved, The School Business Manager will raise a purchase order via PS Financials Web Portal.

The order and subsequent invoice will then be processed and authorised according to the Financial Scheme of Delegation and workflow of PS Financials Web Portal.

### **12.3 Orders over £1,000 but less than £5,000**

Three quotations should be obtained, either in writing, verbally or by email, by the individual requisitioning the order in conjunction with the budget holder.

Where it is not practical to obtain the minimum number of quotations, or the supplier with the cheapest quote has not be selected as the preferred supplier, a written explanation must be maintained and disclosed to the Head Teacher.

### **12.4 Orders over £5,000 but less than £50,000**

At least three quotations, either in writing or by email, should be obtained for all orders between £5,000 and £50,000.

Where it is not practical to obtain the minimum number of quotations, or the supplier with the cheapest quote has not be selected as the preferred supplier:

- a written explanation must be maintained and disclosed to the Head Teacher and Finance Director.

- The Finance Director will seek approval from the Finance and Audit Committee as to whether the order can be processed.

## 12.5 Orders over £50,000 to EU Thresholds

All goods/ services ordered with a value over £50,000, or for a series of contracts which in total exceed £50,000, should be subject to formal tendering procedures, which are outline below under the 'Tendering Process' section

Purchases over EU Thresholds may fall under EU procurement rules that require advertising in the Official Journal of the European Union (OJEU).

## 12.6 Tendering Process

When tendering any item / service the following must be documented and communicated as part of the tender process:

- Requirements
  - what service / goods are required
  - when are they required
  - on what basis e.g. delivered
  - how long are they required for e.g. 1 year
  - additional services required e.g. maintenance
  - how strict are the requirements i.e open to negotiation / suggestion?
  - what payment terms do we require / will we accept e.g. payment on signing contract, 30 days post delivery?

It is suggested the tender is run on the following basis:

- The requirements, process and deadlines should be documented and disclosed to all parties invited to tender.
- The process should be run for a minimum of two weeks.
- The initial response to the tender should create a shortlist of 2/3 suppliers. These suppliers should then be subject to further negotiation to assess the most appropriate supplier / negotiate the best terms.
- The first set of terms should never be accepted without further negotiation.
- References should be sought from shortlisted suppliers and these references should be contacted. Where possible independent references should be sought.
- Where practical shortlisted suppliers should be asked to attend the Trust's premises to present / demonstrate their goods.

There are three forms of tender procedure and the circumstances in which each procedure should be used are described below.

### 1. Open Tender

This is where all potential suppliers are invited to tender.

The Budget Holder must discuss and agree with the Business Manager and the Headteacher how best to advertise for supplier's 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.

## **2. 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 come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the Academy's requirements; and
- The costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.

## **3. Negotiated Tender**

The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances:

- the open tender 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.

## **Tender Evaluation.**

In evaluating the response to a tender it may be useful 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 / score by supplier.

Tender evaluation should include a minimum of two persons, including the requisitioner and an approved authoriser of contracts according to the Trust's Scheme of Delegation

The persons evaluating the tender should not have any potential conflict of interest with any of the suppliers involved in the tender process.

## **Elements that should be evaluated include:**

### **Financial**

- Prices should be compared where possible on a like for like basis
- Price should be considered in the context of quality and service;
- Care should be taken to ensure that the tender price is the total price and that there are no hidden or extra costs;
- Ongoing costs of service, maintenance, usage should be modelled including analysis of how costs could change if pupil numbers could change etc.

### **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; and
- Details of previous sales and references from past customers.

### **Other Considerations**

- After sales service;
- How restrictive are the terms – How flexible are the terms of the contract? Can we cancel, amend, adjust?
- Financial status of supplier;
- Location of supplier / service;

### **12.7 Invoice Processing**

The following checks are to be made by the School Business Manager before any invoices are processed for payment:

- a) goods / services are those ordered;
- b) goods / services are received;
- c) the invoice is scanned into PS Financials;
- d) the invoice constitutes a valid VAT invoice;
- e) VAT is treated correctly;
- f) the invoice is arithmetically correct;
- g) the invoice is correctly coded and posted to the purchase ledger;
- h) prices are correct;
- i) invoices are authorised for payment according to the financial scheme of delegation (section 16 of this document);
- j) payment is authorised by the individuals listed in section 16 of this document;
- k) payment is made, preferably by BACS transfer.

### **12.8 Contract / Self Employed Staff**

Any contractor claiming to be self-employed must complete the Trust's employment status form, and meet the appropriate criteria, to be eligible as being classified as self-employed.

The individual must also sign the declaration acknowledging that they are liable for all tax and national insurance contributions in relation to any payments received.

## 13.0 PAYROLL

All payroll transactions are processed and managed by a payroll provider as part of an annual Service Level Agreement.

The payroll transactions and reports provided by the service provider on a monthly basis are to be checked and verified by the School Business Managers to ensure their accuracy and will be uploaded to PS Financials by the Finance Director.

Any adjustments made to payroll transactions must be recorded for audit purposes.

### 13.1 Staff Appointments and Amendments

Staff appointments and amendments to pay and terms of employment should be approved and actioned according to the Governance Roles and Function Matrix and the Trust's Pay Policy

In summary;

- Trust Members Board – appointments to be made according to the Articles of Association.
- Executive Head Teacher – appointments and changes to terms of employment to be made by the Trust Members Board.
- Board of Directors Staff Members (excluding the Executive Head Teacher) – appointments and changes to terms of employment to be made by the Executive Head Teacher.
- Head Teachers (or equivalent roles) - appointments and changes to terms of employment to be recommended by the relevant Local Governing Body and approved by the Executive Head Teacher.
- School Staff - appointments and changes in hours of work to be made by Head Teachers and approved by the relevant Local Governing Body, within the agreed staffing structure and budgets of the Academy.

Any changes in staffing will be actioned with notification to the payroll provider by the School Business Manager, with accompanying written authorisation by the appropriate persons according to the change being made per the Governance Roles and Function Matrix.

### 13.2 Severance Payments

Severance payments are to be approved according to the Trust's Scheme of Delegated Financial Authority

Where the Trust is considering making a special staff severance payment or compensation payment exceeding the statutory/contractual entitlement by £50,000 or more, prior approval will be sought from HM Treasury (HMT), via the Education Funding Agency (EFA), for the non-statutory/non-contractual element.

### **13.3 Payroll Administration**

Both payroll administration and salary payments are currently handled by an external payroll provider on behalf of the Trust.

It is the responsibility of each Headteacher to ensure all staff contracts, records and adjustments are accurate for their individual academy and provided to the external payroll administrator.

The Business Manager will ensure that the payroll provider has complete details of hours worked, sickness and other absences each month, according to the timelines requested by the Payroll Provider.

Personnel files for all members of staff including contracts of employment will be maintained for all staff by the Business Manager in each academy.

Payroll and personnel records will be treated as private and confidential and will be retained in a secure place i.e. in a locked filing cabinet.

### **13.4 Payments**

All payments regarding payroll, tax and pensions will be processed by the third party payroll provider. Payments will be processed and recorded in PS Financials according to section 6.4.

The Finance Director will reconcile the pay control accounts for each Academy and the Trust.

## **14.0 FIXED ASSETS**

### **14.1 Asset Register**

All assets purchased with a value of over £1,000 must be entered in an asset register.

The asset register will be maintained in Microsoft Excel.

The fixed asset register will record details including:

- asset description;
- asset number;
- serial number;
- date of acquisition;
- asset cost;
- source of funding (percentage of original cost funded from DfE grant and percentage funded from other sources);
- expected useful economic life;
- depreciation;
- current book value;
- location; and
- Name of member of staff responsible for the asset.

Asset / Groups of Assets will be recorded in PS Financials and depreciated based upon the estimated asset life.

## 14.2 Disposals

Items which are to be disposed of by sale or destruction must be authorised according to the Trust's Scheme of Delegated Financial 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 is not encouraged, as it may be more difficult to evidence the academy obtained value for money in any sale or scrapping of equipment.

The academy will reinvest the proceeds from all asset sales for which capital grant was paid into other academy assets.

All disposals of land & buildings will be agreed in advance with the Secretary of State.

## 14.3 Annual Review

On an annual basis the Fixed Asset register will be audited to validate:

- The asset is still in use
- The asset's estimated remaining life is valid
- The carried value of the asset is reasonable.

This review will be undertaken by each School Business Manager with discrepancies reported to the Finance Director for required adjustments to be authorised.

## 14.4 Leases

The Academy will follow Academy Handbook guidelines and seek prior written approval from the Secretary of State, via the EFA, for the following leasing transactions:

- taking up a finance lease on any class of asset for any duration from another party, as this would represent borrowing;
- taking up a leasehold or tenancy agreement on land or buildings from another party for a lease term of more than five years; and
- Granting a leasehold or tenancy agreement on land or buildings to another party for a lease term of more than five years.

Operating leases on assets that are not land and buildings do not require the Secretary of State's approval and the Academy will ensure Leases are disclosed in trusts' annual accounts in accordance with the Academies Accounts Direction.

## 15.0 REGISTER OF BUSINESS INTEREST

The governing body has established a register of business and personal interests of the members, directors, governors and staff, which should be open to inspection.

All staff, members and governors are required to declare any links they have with local companies from which the school may wish to buy goods or services.

The register is reviewed annually and updated with Member/Director/Governor/Staff Changes.

There is also an opportunity at the beginning of each Trust meeting for all parties to declare interests, or changes in interest.

## 15.1 Trading with Related / Connected Parties

Related parties arise where one party has control or influence over the other, or where the parties are subject to common control.

This includes parent companies and their subsidiaries, key management personnel including company directors, their close family members and other entities in which these parties have a controlling interest.

Accounting standards require transactions between related parties to be disclosed in company financial statements as related party transactions.

Connected party transactions are permitted under company law, charity law and under the Academies Financial Handbook, provided that open and transparent procurement procedures have been followed, and any potential conflicts of interest are adequately and appropriately managed.

Where related party transactions have occurred, the Academies Accounts Direction, section 7.6.10 stipulates that disclosure must be made and should include:

- the names of the related parties
- a description of the relationship between the parties
- a description of the transactions
- the amounts involved
- the amounts due to or from related parties at the balance sheet date, and any provisions for doubtful debts or amounts written off

Providing the following can be proven, the goods / service may be procured:

- The connected party was not involved in the decision to source the goods / service
- The service has been procured in a competitive environment, with other suppliers involved in a formal tender / procurement process according to the Trusts procurement procedure
- The service / goods have been provided at cost, with no profit made on the transaction. The cost may include a proportionate and reasonable share of fixed and variable overheads.

## 15.2 Novel and/or contentious transactions

Novel payments or other transactions are those which the academy trust has no experience, or are outside the range of normal business activity for the trust.

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 transactions **will** always be referred to the EFA for explicit prior authorisation.

## 16.0 Delegated Financial Authority for Academic Year 2016/2017:

In addition to the delegated authority described in this document the Trust Members Board has delegated the following functions and authorisation levels to the following roles / groups / committees subject to prescribed restrictions and adherence to the Trust's Finance Policy.

The Trust Members Board will review the delegation of functions and authorisation limits annually whilst remaining accountable for any decision taken, including those relating to functions delegated to a committee or individual.

In the event of a role being vacant, either due to sickness or the post being vacant, the Finance and Audit Committee will agree an individual to assume responsibility for the delegated financial authority of that role.

The Executive Head has the delegated authority of all the roles described within this document with the exception of the Finance and Audit Committee, and matters relating to their own pay, or payments.

	<b>MAT</b>	<b>St Chads</b>	<b>St Annes</b>
<b>Transfer of resources between budgets</b>			
Single Item £15k per academy	Executive Head	Executive Head	Executive Head
Aggregate £30k per academy	Executive Head	Executive Head	Executive Head
Aggregate £50k per academy	Finance & Audit Committee	Finance & Audit Committee	Finance & Audit Committee
<b>Order / Invoice Authorisation – Limit</b>			
Business Manager and Finance Director	£500	£500	£500
Head Teacher		£10,000	£10,000
Executive Head Teacher	£30,000	£30,000	£30,000
Finance & Audit Committee	£50,000	£50,000	£50,000
<b>Payments – Authorised Signatories</b>			
Includes BACS, Petty Cash	Peter Burnley	Peter Burnley	Jane Fraser
	Richard Webster	Richard Webster	Lynsey Coleman
	Frankie Marsh	Frankie Marsh	Suzanne Bergin
	Kath Roberts	Kath Roberts	Richard Webster
<b>Contracts</b>			
Variation to terms – up to 10% or £5k	Finance Director	Head Teacher	Head Teacher
New Contract with value over term < £5k	Finance Director	Head Teacher	Head Teacher
New Contract with value over term < £10k	Finance Director	Finance Director	Finance Director
New Contract with value over term < £30k	Executive Head	Executive Head	Executive Head
New Contract with value over term < £50k	Finance Committee	Finance Committee	Finance Committee
<b>Salaries, Wages and Associated Payments</b>			
Up to £5,000	Executive Head	Head Teacher	Head Teacher
£5,000 to £10,000	Finance Director	Finance Director	Finance Director
£10,000 to £30,000	Executive Head	Executive Head	Executive Head
> £30,000	Finance Committee	Finance Committee	Finance Committee
<b>Writing off of Debts</b>			
Any single debt not exceeding £500	Finance Director	Head Teacher	Head Teacher
Any single debt not exceeding £2,500	Finance Director	Finance Director	Finance Director
Any single debt not exceeding £5,000	Finance Committee	Finance Committee	Finance Committee
<b>Writing off of Stock, Equipment, Assets</b>			
Any single debt not exceeding £500	Finance Director	Head Teacher	Head Teacher
Any single debt not exceeding £2,500	Finance Director	Finance Director	Finance Director
Any single debt not exceeding £5,000	Executive Head	Executive Head	Executive Head
Any single debt not exceeding £10,000	Finance Committee	Finance Committee	Finance Committee
<b>Payments for non-insured losses</b>			
Amount not exceeding £500	Finance Director	Head Teacher	Head Teacher
Amount not exceeding £2,500	Finance Director	Finance Director	Finance Director
Amount not exceeding £5,000	Executive Head	Executive Head	Executive Head
Amount not exceeding £10,000	Finance Committee	Finance Committee	Finance Committee
<b>Gifts and Gratuities</b>			
Amount not exceeding £25 per individual	Finance Director	Head Teacher	Head Teacher