

The Academies for Character and Excellence

Financial Regulations Policy

Finance / CFO

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Appendix 1: Scheme of Financial Delegation

1. Introduction

- 1.1 The purpose of this manual is to ensure that The Academies for Character and Excellence (the Trust) maintains and develops systems of financial control which conform with the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of the Trust's funding agreements with the Department for Education (DfE).
- 1.2 The Trust must also comply with the principles of financial control outlined in the Trust's guidance published by the DfE and the Academies Trust Handbook (ATH) published annually by the Education & Skills Agency (ESFA). This manual expands on that and provides detailed information on the Trust's accounting procedures and systems. The manual should be read by all staff involved with financial systems.

2. Organisation & Responsibilities

- 2.1 The Trust has defined the responsibilities of each person involved in the administration of the Trust's finances to avoid the duplication or omission of functions and to provide a framework of accountability for directors, Advocates and staff. The financial reporting structure is illustrated below:

The Strategic Board

- 2.2 The Strategic Board has overall responsibility for administration of the Trust's finances. The main financial responsibilities of the Trustees are prescribed in the Master Funding Agreement between the Trust and the DfE. The main responsibilities include:
 - a. To ensure grants from the DfE, and all Restricted funding is used for the purposes intended.
 - b. Maintain robust financial oversight of the Trust which support maintaining the Trust as a going concern.
 - c. Approve the Trust's Financial Policies and Procedures.
 - d. Approve the annual budgets and any material changes.
 - e. Take a longer-term view of the Trusts financial plans.
 - f. Ensure a Scheme of Delegation is in place.
 - g. Ensure Terms of Reference are agreed for any Committees.
 - h. Ensure assets are managed and estates are kept in a safe working condition.
 - i. Ensure accurate accounting records are maintained.
 - j. Ensure the budget monitoring statements are a true and accurate record on income and expenditure.
 - k. Approve the Annual Financial Statements for the Trust
 - l. Appoint a Clerk to the Board who is someone other than a Trustee, or CEO of the Trust.
 - m. Notify RSC of planned recruitment of CEO post.

- n. Publish statutory information on the Trusts website; and
- o. Make recommendation to Members regarding the appointment of the External Auditor.

The Finance, Audit and Risk Committee

- 2.3 The Finance, Audit and Risk Committee is a committee of the Strategic Board. The Finance, Audit and Risk Committee meets at ~~least 36~~ times per annum but more frequent meetings can be arranged if necessary.
- 2.4 The main financial responsibilities of the Finance, Audit and Risk Committee are detailed in their written terms of reference which have been authorised by the Strategic Board. These include:
 - a. Ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 1985 and the DfE guidance as issued to the Trust;
 - b. Reviewing the reports of the Internal Auditor and External Auditors on the effectiveness of the financial procedures and controls and ensure there is a reasonable & timely response from the trust Leadership team to the findings. These reports must also be made available to the Strategic Board;
 - c. Ensuring the programme of internal scrutiny includes financial and non-financial controls;
 - d. Review of Risk Management & Risk Registers and making recommendations to the Strategic Board;
 - e. Recommend internal auditors who are independent of the Trust and of the Trust's external auditors;
 - f. Recommendation to the Strategic Board for the approval of the annual budget and any material changes;
 - g. Oversight of the Scheme of Financial Delegation as per Appendix 1 of this policy;
 - h. Ensure accurate accounting records are maintained as set out in this policy;
 - i. Regular monitoring of actual expenditure and income against budget.
 - j. Authorising and awarding contracts up to the amount stated in the Scheme of Financial Delegation;
 - k. Ensuring any guidance and advice received from the Strategic Board, External or Internal Audit are acted upon;
 - l. Review Financial Policies and make recommendations to the Strategic Board for adoption;
 - m. evaluating financial benchmarking and KPIs undertaken by the Trust;
 - n. establishing a financial control framework that recognises public expectations about governance, standards and openness;
 - o. Reviewing the Trust's insurance requirement on an annual basis to ensure the Trust is adequately covered; and
 - p. Considering if there are any novel or contentious transactions arising from any Trust agenda items or from the report from the

Accounting Officer.

- 2.5 The Finance, Audit and Risk Committee also acts as the Audit Committee as part of the year end exercise and therefore has the delegated authority to agree the final accounts and recommend them to the Strategic Board.

The Chief Executive Officer (CEO) / Accounting Officer

- 2.6 Within the framework of the Trust's Scheme of Delegation as approved by the Strategic Board, the CEO has overall executive responsibility for the Trust's activities including its financial activities in their capacity as Accounting Officer. Much of the financial responsibility has been delegated to the Chief Finance Officer (CFO) but they retain responsibility for:

Accounting Officer Duties

- a. Regularity and propriety, ensuring that the trusts property & assets are under control of the Trustees and measures are in place to prevent loss or misuse including the use of Asset Registers across the Trust.
- b. Prudent and economic administration keeping full and accurate accounting records to support the annual statutory accounts.
- c. Avoidance of waste and extravagance through efficient and effective use of available resources.
- d. Separation of duties ensuring bank accounts, financial systems and financial records are operated by more than one person.
- e. The Accounting Officer has the duty to take action if the Strategic Board is contemplating a course of action, which they consider an infringement of propriety or regularity.
- f. The Accounting Officer may appoint others to assist in these responsibilities.

CEO Duties

- a. The accountability for financial probity and ensure that trust money is well spent.
- b. Reviewing income and expenditure reports and highlighting actual or potential overspending to the CFO.
- c. Approving virements between budget headings in accordance with the Scheme of Financial Delegation in Appendix 1 and reporting such approval to the Chair of the FARC.
- d. Ensuring the arrangements for collection of income, ordering of goods and services, payments and security of assets are in accordance with the Financial Regulations.
- e. Authorising all orders and contracts in accordance with the Scheme of Financial Delegation in Appendix 1, in conjunction with the Chair of the FARC.

- f. Ensuring that all contracts and agreements conform to the Financial Regulations.
- g. To ensure awareness of the business interests of all Members and Trustees and trust staff with any financial responsibility.
- h. Ensuring that there are annual independent checks of assets and the asset register.
- i. Ensuring that proper security is maintained at all times for all buildings, furniture, equipment, vehicles, stocks, stores, cash, information and records etc. under his/her control.
- j. The operation of financial processes within the Trust, ensuring that adequate operational controls are in place and that the principles of internal control are maintained.
- k. Ensuring ongoing in-year QA processes are in place via independent scrutiny and internal checks.
- l. Approval of audited financial statements prior to submission to the Strategic Board informing the Strategic Board of any suspected financial irregularities
- m. Approve capital expenditure in accordance with the Scheme of Financial Delegation in Appendix 1
- n. Approve contract variations in accordance with the Scheme of Financial Delegation in Appendix 1
- o. Approve investments in accordance with the Scheme of Financial Delegation in Appendix 1
- p. Authorisation of tender awards in accordance with the Scheme of Financial Delegation in Appendix 1

The Chair of the Finance, Audit and Risk Committee (CFC)

2.7 The CFC works in close collaboration with the Chief CFO / CEO through whom they are responsible to the Strategic Board. The main responsibilities of the CFC (delegated to the CFO where appropriate and agreed) are:

- a. the establishment and operation of a suitable accounting system;
- b. the management of the Trust financial position at a strategic and operational level within the framework for financial control determined by the governing body;
- c. implementation and operation of rigorous and robust audits and control;
- d. ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of the Trust;
- e. the preparation of monthly and annual management accounts;
- f. authorising contracts between £75,000 and £250,000 in conjunction with the CEO;
- g. ensuring forms and returns are sent to the DFE in line with the timetable in the DFE guidance.

The Chief Finance Officer (CFO)

2.8 The CFO is responsible for the strategic financial, corporate and

commercial management of the Trust. This role is an integral part of the strategic leadership of the Trust. The post holder will coordinate the expanding central support business management team. The CFO will be a leader whose role will focus on three key areas:

- a. Lead on Strategic Business Planning for the Trust to ensure that it has clear and sustainable plans for the future.
- b. Lead on all matters relating to Financial Compliance across all schools in the Trust to ensure the best possible outcomes for all pupils.
- c. Work with the CEO, Central Support Team, Trustees and Advocates to maximise Earned Income from the trust's assets, which may include commercial trading, intellectual property and joint ventures through an enterprising approach to business development and partnerships.

The main responsibilities of the CFO are:

- a. Preparing an annual draft budget plan for consideration by the Strategic Board and Trustees.
- b. Monthly monitoring of expenditure and income against the approved budget and submitting reports on the Trusts financial position to every meeting of the Strategic Board.
- c. Any actual or potential overspending shall be reported to the Strategic Board.
- d. Ensuring compliance with all financial regulations and reporting any concerns to the Strategic Board.
- e. Ensuring that the individual schools are maintaining a register of formal contracts entered into, amounts paid and certificates of completion and are retaining the quotes obtained for goods, works and services. Whilst overall responsibility for this sits with the CFO, maintenance of such records can be delegated to Senior Administrators.
- f. Ensuring that all correct invoices are duly certified by authorised staff before payments. Routine scrutiny can be delegated to Senior Administrators.
- g. Ensuring the appropriate division of duties between staff responsible for processing orders, receiving deliveries and processing payments.
- h. Authorising the monthly payroll.
- i. With the CEO, jointly authorising any changes to the staff structures in the individual schools.
- j. With the CEO, jointly authorising any posts advertised in any school.
- k. Authorising any changes in salary to existing staff after consultation with the CEO.
- l. Maintaining proper records of account and reviewing monthly bank reconciliations (this can be delegated to a Senior

- Administrator).
- m. The operation of financial processes within the Trust, ensuring that adequate operational controls are in place and that the principles of internal control are maintained.
 - n. Ensuring that full, accurate and up to date records are maintained in order to provide financial and statistical information.
 - o. Ensuring that all records and documents are available for audit by the appointed external auditors.
 - p. Ensuring that arrangements for insurance cover are in place and adequate.
 - q. Notifying the Strategic Board on any eventuality that could affect the Trust's insurance arrangements.

The External Auditor

- 2.9 The External Auditor is appointed by the Trust's members at the recommendation of the Finance, Audit and Risk Committee and fulfils the statutory requirement under the Companies Act 2006 whereby the External Auditor certifies whether the Trust's annual accounts present a true and fair view of the Trust's financial performance and position. The External Auditor must also undertake a review of the Accounting Officer's statement on regularity, propriety, and compliance, and address its conclusions on such regularity jointly to the Trust and ESFA.

The Internal Auditor

- 2.10 The Internal Auditor is appointed by the Strategic Board at the recommendation of the Finance, Audit and Risk Committee and provides Trustees with an independent oversight of the Trust's financial affairs. The main duties of the Internal Auditor are to provide the Strategic Board with independent assurance that:
- a. the financial responsibilities of the Strategic Board are being properly discharged.
 - b. Trust resources are being managed in an efficient, economical and effective manner.
 - c. sound systems of internal financial control are being maintained.
 - d. financial considerations are fully taken into account in reaching decisions; and
 - e. the Trust complies fully with the requirements of Annex C of the ATH.
- 2.11 The Internal Auditor will undertake a programme of works agreed by the Finance, Risk and Audit Committee to ensure that financial transactions have been properly processed and that controls are operating as laid down by the Strategic Board. A report of the findings from each visit/review will be presented to the Finance, Risk and Audit Committee.

Senior Staff

2.12 Members of staff with delegated responsibilities should be aware that these must be exercised in accordance with this Financial Regulations Policy. Their main responsibilities include:

- a. Ensuring that individual schools are maintaining a register of formal contracts entered into, amounts paid and certificates of completion; are retaining the quotes obtained for goods, works and services and full records of procurement decision processes.
- b. Ensuring that all correct invoices are duly certified by authorised staff before payment and that payments to suppliers are made in line with contractually agreed terms.
- c. Daily oversight of the appropriate division of duties between staff responsible for processing orders, receiving deliveries and processing payments.
- d. Checking and certifying monthly statements of expenditure against their delegated budget and for reporting any errors or irregularities to the CFO. Any actual or potential overspending shall also be reported to the CFO.
- e. Ensuring compliance with all financial regulations and reporting any concerns to the CFO.
- f. Delegated Budget Holders are responsible for:
 - i. Authorising orders provided they are within the scope and remaining balance of their delegated budget.
- g. The Trust Senior Administrators are responsible for:
 - i. Maintaining a register of formal contracts entered into, amounts paid and certificates of completion.
 - ii. Retention of quotes obtained for goods, works and services.
 - iii. Ensuring that all correct invoices are duly certified by authorised staff before payments are made and that invoices, vouchers and other records are retained and stored in a secure way and are readily available for inspection by authorised persons.
 - iv. Ensuring the appropriate division of duties between staff responsible for processing orders, receiving deliveries and processing payments.
- h. In the CFO absence, and by prior arrangement with the CEO, the Trust HR Manager can authorise the monthly payroll. In addition, maintaining proper records of account, and reviewing monthly bank reconciliations. The Trust HR Manager is responsible for:
 - i. Running the monthly payroll.
 - ii. Ensuring that the monthly payroll is checked, and ready for authorization.
- i. If delegated, the Finance Officers must maintain proper records of account and review monthly bank reconciliations.
- j. The Finance Officer is responsible for:
 - i. Ensuring that all income is accurately accounted for and is

- promptly collected and banked intact.
- k. The school Administrators are responsible for:
 - i. Maintaining a permanent and continuous register of all items of furniture, equipment, vehicles and plant over a specified threshold (as detailed within Appendix 1).
 - l. With the Trusts IT providers maintain the standards of control for such systems in operation within the Trust to include the use of properly licensed software, and for the security and privacy of data in accordance with the Data Protection Act.
 - m. The Senior Administrator will maintain a register of IT equipment over a specified threshold (see Appendix 1).

Other Staff

- 2.13 Other members of staff will have some financial responsibilities. All staff are responsible for the security of Trust property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the Trust's financial procedures.

Register of Interests

- 2.14 It is vital that Trust officials and staff act, and are seen to act, impartially. All Members, Trustees, representatives, trust leadership staff and senior leadership staff within each school are required to complete a Declaration of Business Interests. The declarations are updated each year.
- 2.15 Declarations should include all business and pecuniary (monetary) interests such as directorships, shareholdings and other appointments of influence within a business or other organisation. They should also include interests of related persons such as a parent, spouse, child, cohabitee and business partner where that person could exert influence over a trustee or member of staff.
- 2.16 The existence of a register of business interests does not detract from the duty of all to declare interests whenever they are relevant to matters being discussed by the Strategic Board, its Committees or at leadership meetings. Where an interest has been declared, the interested party should not attend that part of the meeting. It is the role of the Trust Clerk to ensure the Register of Business Interests are up to date for each setting. The Register of Business Interests are to be published on the Trusts websites.

Related Party Transactions

- 2.17 There may be times when payments are made to a related party for wholly justifiable reasons. In these instances Trust protocols as per this policy, will be observed and the names of the parties and the amounts of the transactions will be disclosed in the Financial Statements for the financial year in which the transactions took place.

- 2.18 Where a supplier is a related party the goods and services will be supplied to the Trust on the basis of direct cost plus indirect costs, with no element of profit; the Statement of Assurance shall be completed. Where the individual supply or the cumulative value of a supply with a related party will exceed £20,000 within one financial year the Trust must be made aware of any such transaction before a financial commitment is entered into and prior approval must be sought from the ESFA via their on-line form. Suppliers in the finance system who have a related party connection will be flagged to enable schools to ensure the correct procedures are followed. Members of the Strategic Board and key Management Personnel will sign a more detailed declaration supplied by the auditors at each year end period.

Novel or Contentious Transactions

- 2.19 Novel, or contentious transactions will be referred to the ESFA for explicit prior authorisation. Novel payments are those for which the Trust has no previous experience or are outside of the range of normal business activity for the Trust. Contentious transactions are those which might give rise to criticism of the trust by Parliament, the public and/or the media.

3. Accounting system

- 3.1 All the financial transactions of the Trust must be recorded into an approved computerised financial system. These systems are operated by the Finance Department.
- 3.2 There must be a clear audit trail for all financial transactions from the original documentation to accounting records and where possible these should be scanned and attached to the transaction within the finance database.
- 3.3 Finance records must be stored for 7 years in accordance with the Companies Act. Only authorised staff will be permitted access to the accounting records, which should be securely retained when not in use. Authorisation and supervisory controls should be adequate to ensure transactions are properly recorded or that errors are identified. All records should be protected against unauthorised modifications, destruction, disclosure or loss whether by accident or intention. The finance system should meet the requirements of GDPR and have robust regular daily backups.

System Access

- 3.4 Entry into the approved financial system, is password restricted and the CFO is responsible for implementing an appropriate level of system security. Only appropriate staff should be granted access and passwords should be changed regularly. When master systems passwords are changed the new password should be

placed in a sealed envelope and passed to the CFO to keep in the safe.

- 3.5 Access to the component parts of the approved financial system are restricted to the CFO and the Finance Officer who are responsible for setting access levels for other members of staff using the system. The Trust Auditors also have access during the annual external audit process and internal audit programme of works.

Back-up Procedures

- 3.6 The CFO is responsible for ensuring that there are effective back-up procedures in place for the finance systems.
- 3.7 The CFO should also prepare a disaster recovery plan in the event of loss of accounting facilities or financial data. This should link in with the annual assessment made by directors of the major risks to which the Trust is exposed and the systems that have been put in place to mitigate those risks.

Transaction Processing

- 3.8 All transactions are entered into the system in line with the agreed procedures governed by the current system. Bank transactions should be input by the Finance Department and the input should be checked, and signed to evidence this check, by the CFO.
- 3.9 Detailed information on the operation of the Financial information system can be found within the user manuals online.

Transaction Reports

- 3.10 The CFO will obtain and review system reports to ensure that only regular transactions are posted to the accounting system. The report obtained and reviewed will include:
- a. the monthly audit trail reports.
 - b. amendment reports for the purchase ledger and sales ledger; and
 - c. management accounts summarising expenditure and income against budget and at budget holder level where agreed – this includes cash flow forecasting/reporting. These reports are sent to the Finance, Audit and Risk Committee on a monthly basis in line with ATH requirements.
 - d. Balance sheet reports and reconciliations.
 - e. Cashflow report and forecast.
 - f. Copies of Payroll reports provided by the 3rd party supplier.

Reconciliations

- 3.11 The Finance Department is responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:

- a. sales ledger control account;
- b. purchase ledger control account;
- c. wages control account;
- d. all suspense accounts; and
- e. bank balance/s per the nominal ledger to the bank statement/s.

3.12 Any unusual or long outstanding reconciling items must be brought to the attention of the CFO. The CFO will review and sign all reconciliations as evidence of their review.

4. Financial planning

4.1 The Trust prepares financial plans in line with ESFA requirements – a detailed 1-year plan and a further headline 2-year plan.

4.2 The medium-term financial plan is prepared as part of the development planning process. The development plan indicates how the Trust's educational and other objectives are going to be achieved within the expected level of resources over the next three years.

4.3 The development plan provides the framework for the annual budget. The budget is a detailed statement of the expected resources available to the Trust and the planned use of those resources for the following year.

4.4 The development planning process and the budgetary process are described in more detail below.

Development Plan

4.5 The development plan is concerned with the future aims and objectives of the Trust and how they are to be achieved; that includes matching the Trust's objectives and targets to the resources expected to be available. Plans should be kept relatively simple and flexible. They are the "big picture" within which more detailed plans may be integrated.

4.6 The Trust's development plan gives due regard to the matters included within the guidance to schools and any annual guidance issued by the DfE/ESFA.

4.7 Each year the CEO will propose a planning cycle and timetable to the Strategic Board which allows for:

- a. a review of past activities, aims and objectives - "did we get it right?"
- b. definition or redefinition of aims and objectives - "are the aims still relevant?"

- c. development of the plan and associated budgets – “how do we go forward?”
 - d. implementation, monitoring and review of the plan – “who needs to do what by when to make the plan work and keep it on course” and
 - e. feedback into the next planning cycle – “what worked successfully and how can we improve?”
- 4.8 The timetable will specify the deadlines for the completion of each of the key stages described above. Lead responsibility for the completion of each of the stages will be assigned by the CEO.
- 4.9 The completed development plan will include detailed objectives for the coming academic year and outline objectives for the following two years. The plan should also include the estimated resource costs, both capital and revenue, associated with each objective and success criteria against which achievement can be measured.
- 4.10 For each objective the lead responsibility for ensuring progress is made towards the objective will be assigned to the appropriate person in the Trust. The responsible person should monitor performance against the defined success criteria throughout the year and report to the agreed monitoring body (e.g. Trust Leadership Team, Trust Finance, Audit and Risk Committee, Strategic Board) on the agreed basis.

Annual Budget

- 4.11 The Trust Leadership Team is responsible for preparing and obtaining approval for the annual Trust budget. The budget must be approved by the CEO, Finance Audit and Risk Committee and Strategic Board.
- 4.12 The approved consolidated Trust budget must be submitted to the ESFA by the prescribed reporting deadline each year and the CFO is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.
- 4.13 The annual budget will reflect the best estimate of the resources available to the Trust for the forthcoming year (plus an additional two years) and will detail how those resources are to be utilised. There will be a clear link between the development plan objectives and the budgeted utilisation of resources. The budgetary planning process will incorporate the following elements:
- a. forecasts of the likely number of pupils to estimate the amount of ESFA grant receivable.
 - b. review of other income sources available to the Trust to assess likely level of receipts.
 - c. review of past performance against budgets to promote an understanding of the Trust’s cost base.

- d. an integrated approach to curriculum and financial planning.
- e. identification of potential efficiency savings; and
- f. review of the main expenditure headings in light of the development plan objectives and the expected key budgetary assumption variations in cost e.g., pay increases, and general inflation, as well as other anticipated changes.

Balancing the Budget

- 4.14 Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where cuts can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and expenditure are in balance. If a potential surplus is identified, this this will be used to build up the reserves within the Trust in line with the Trust's Reserves Policy.

Finalising the Budget

- 4.15 Once the different options and scenarios have been considered, a draft budget will be prepared by the CFO for approval by the CEO, the Finance, Audit and Committee and Strategic Board. The budget will be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.
- 4.16 The budget will be accompanied by a statement of assumptions and hierarchy of priorities so that if circumstances change, it is easier for all concerned to take remedial action. The budget for the year will be fixed but regular forecasts will be prepared throughout the year as circumstances change.

Monitoring and Review

- 4.17 Monthly reports will be prepared by the CFO. The reports will detail actual income and expenditure against budget and Key Performance Indicators both for the TFC and separate tailored reports for budget holders.
- 4.18 Any potential overspend against the budget must in the first instance be discussed with the CFO and the TFC will be informed at the earliest possible opportunity. The accounting system will not allow payments to be made against an overspent budget without the approval of the CFO and / or CEO.
- 4.19 The monitoring process will be effective and timely in highlighting variances in the budget so that differences can be investigated and action taken where appropriate. If a budget overspend is

forecast, it may be appropriate to vire money from another budget or from the contingency (agreed as part of the annual budgeting exercise if appropriate and affordable). All budget virements over £75,000 must be authorised by the Finance Audit and Risk Committee, and under £75,000 by the CEO / CFO.

5 Payroll and Human Resources (HR)

5.1 The main elements of the payroll are:

- a. staff appointments.
- b. staff absence.
- c. payroll administration.
- d. payments; and
- e. pensions.

Staff Appointments

5.2 The Strategic Board has approved a personnel establishment for the Trust as part of the annual budgeting exercise. Changes can only be made to this establishment with the express approval in the first instance of the Finance, Audit and Risk Committee who must ensure that adequate budgetary provision exists for any establishment changes.

5.3 The CEO has authority to appoint staff within the authorised establishment except for the CFO whose appointments must follow consultation with the Trustees

5.4 . The individual schools maintain personnel files for all members of staff which include contracts of employment. All personnel changes must be notified, in writing, to CFO and the Trust HR Officer (HRO) immediately.

Staff Absence

5.5 All staff absence should be reported in a timely manner by the School administration teams by using the agreed system. Records of all absence must be kept at each school.

5.6 Setting Executive Pay

5.7 The Board of Trustees must ensure its decisions about levels of executive pay (including salary and any other benefits) follow a robust evidence-based process and are a reasonable and defensible reflection of the individual's role and responsibilities. No individual can be involved in deciding their remuneration.

5.8 The Board must discharge its responsibilities effectively, ensuring its approach to pay and benefits is transparent, proportionate and justifiable, including:

- a. process – that the procedure for determining executive pay and benefits, and
- b. keeping them proportionate, is agreed by the Strategic Board in advance and documented;
- c. independence – decisions about executive pay and benefits reflect independent and objective scrutiny by the Board and that conflicts of interest are avoided;
- d. robust decision-making – factors in determining pay and benefits are clear, including whether educational and financial performance considerations, and the degree of challenge in the role, have been taken into account.
- e. proportionality – pay and benefits represent good value for money and are defensible relative to the public sector market.
- f. commercial interests – ensuring the Board is sighted on broader business interests held by senior executives and is satisfied that any payments made by the trust to executives in relation to such interests do not undermine the transparency requirements for disclosing pay in accordance with the Trust’s Accounts Direction.
- g. documentation – the rationale behind the decision-making process, including whether the level of pay and benefits reflects value for money, is recorded and retained.
- h. a basic presumption that executive pay and benefits should not increase at a faster rate than that of teachers, in individual years and over the longer term.
- i. understanding that inappropriate pay and benefits can be challenged by ESFA, particularly in instances of poor financial management of the trust.

Publication of Executive Pay

- 5.9 The Trust must publish on its website in a separate readily accessible form the number of employees whose benefits exceeded £100k, in £10k bandings, for the previous year ended 31 August. Benefits for this purpose include salary, employers’ pension contributions, other taxable benefits and termination payments. Trusts may wish to display this information in a tabular form showing in each column salary, pension etc. Where the Trust has entered into an off-payroll arrangement with someone who is not an employee, the amount paid by the trust for that person’s work for the trust must also be included in the website disclosure where payment exceeds £100k as if they were an employee.
- 5.10 The trust is reminded of requirements under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 for organisations with 250 or more employees to publish information on their website and on the government’s reporting website about the gender pay gap in their organisation.

Tax arrangements for senior employees

- 5.11 The Trust must ensure its senior employees’ payroll arrangements fully meet their tax obligations and comply with HM Treasury’s

guidance about the employment arrangements of individuals on the avoidance of tax. This is described in HM Treasury's Review of the Tax Arrangements of Public Sector Appointees, which explains that senior managers with significant financial responsibilities should be exclusively on payroll, and therefore subject to Pay As You Earn with income tax and NI contributions deducted at source. Failure to comply with these requirements can result in a fine by HM Treasury.

Payroll Administration

- 5.12 The Trust payroll is currently administered through the Trust's independent payroll provider.
- 5.13 All staff are paid monthly through the Trust payroll provider. A master file is maintained online for each employee which records:
- a. Salary.
 - b. bank account details.
 - c. taxation status.
 - d. personal details.
 - e. any deductions or allowances payable; and
 - f. other legal and relevant details.
- 5.14 New online files and master file amendments can only be created by the HRO with the express approval of Trust Leadership Team (TLT). Any master file amendments made by the HRO must be authorised by the CFO who will receive a system notification. Any master file amendments made by HRO / CFO must be authorised by the TLT in advance.
- 5.15 All relevant staff must complete a monthly staff return which provides details for all additional hours worked during the month. The staff return must be authorised by the nominated budget holder. Authorised staff returns should be sent to the HRO which then produces the files for payroll processing. All files regarding additional hours must be sent to the Payroll Provider in line with the stipulated timetable as late returns are not permitted and will not be processed.

Payments

- 5.16 Before payments are dispatched a printout of all data should be obtained from the payroll provider and this should be checked against source documentation by the HRO and then reviewed and initialled by the CFO. Authority to release payment will be by the CFO and / or the CEO.
- 5.17 All salary payments are made by BACS on the 25th (or nearest working day) of the following month.
- 5.18 The Finance Department should prepare a reconciliation between

the current month's and the previous month's gross salary payments showing adjustments made for new appointments, resignations, pay increases etc. This reconciliation should be reviewed and signed by the CFO.

- 5.19 The payroll system automatically calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions. The amounts payable are summarised on the gross to net pay print and BACS payments are prepared by the Payroll Provider which are authorised by the CFO.
- 5.20 The HRO should select one employee at random each month and check the calculation of gross to net pay to ensure that the payroll system is operating correctly.
- 5.21 After the payroll has been processed the Payroll Provider will prepare and supply monthly reports to enable the CFO / Trust Finance Officer (TFO) to update the nominal ledger by journal. Postings will be made both to the payroll control account and to individual cost centres. The Finance Department should review the payroll control account each month to ensure the correct amount has been posted from the payroll system, individual cost centres have been correctly updated and to identify any amounts posted to the suspense account.
- 5.22 On an annual basis the CFO must check for each member of staff that the gross pay per the payroll system agrees to the contract of employment held on the personnel file in the relevant School office or Trust office.
- 5.23 Any payments made to a person/company which does not hold a valid Limited Company registration number must be subject to IR35 approval by the CFO. (Nb. Contractors are not able to make decisions for themselves).

6 Purchasing

Overview

- 6.1 The Trust aims to achieve the best value for money from all its purchases ensuring that goods and services are acquired in the most economical, efficient and effective way such that the Trust obtains what it needs in the correct quality, quantity and time at the best price possible. A large proportion of Trust purchases will be paid for with public funds and the Trust needs to maintain the integrity of these funds by following the general principles of:
 - a. Achieving value for money: including the cost of goods and services, the quality of goods or services and administrative costs, and the whole-life cost of the goods or services

- b. Ensuring fairness: ensuring that all parties are treated in a fair and equitable manner.
- c. Establishing accountability: the Trust is publicly accountable for its expenditure and the conduct of its affairs.
- d. Allowing probity: in all dealings in the purchasing and procurement process, Trust staff should abide by and preserve the highest standards of honesty, integrity, impartiality and objectivity; and should never seek to make private gain from the Trust's financial affairs.

Routine Purchasing Procedures

- 6.2 Budget holders (Headteachers at school level) will be informed of the budget available to them at least one month before the start of the academic year. It is the responsibility of the budget holder to manage specific areas of the budget and to ensure that the funds available are not overspent. Data detailing actual expenditure and committed expenditure (orders placed but not paid for) against budget will be supplied to each budget holder each month. Budget holders are also able to look up data relating to their own budget areas via the on-line financial information system.
- 6.3 Routine purchases up to £1,000 can be ordered by budget holders. In the first instance a supplier should be chosen from the list of approved suppliers maintained by the Finance Department. A quote or price must always be obtained before any order is placed. 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 CFO.
- 6.4 All requests for new suppliers must be sent to the finance department from a valid school email address using the 'new supplier set-up form' for authorisation. No commitment to the supplier should be made until set-up is agreed.
- 6.5 All orders must be made on the Finance System Purchasing module. Orders are automatically forwarded to the Finance Department where the CFO, Budget holder and / or the Finance Officer will check to ensure adequate budgetary provision exists before approving the order.
- 6.6 Approved orders will be recorded in the purchase order module of the financial information system which allocates a reference number.
- 6.7 In line with the Academy Trust Handbook, Trust funds must not be used to purchase alcohol for consumption, except where it is used in religious services.
- 6.8 The budget holder must make appropriate arrangements for the delivery of goods to the appropriate school. On receipt, the school

must undertake a detailed check of the goods received against the goods received note (GRN) and make a record of any discrepancies between the goods delivered and the GRN. The goods and/or services must be GRN'd within the accounting system by the school admin teams. Discrepancies should be discussed with the supplier of the goods without delay. Trust staff should at all times avoid having items delivered to a home address and be aware of how this might be perceived. Where exceptionally, deliveries are to home, the delivery should be approved in advance by the CFO with documented rationale.

- 6.9 The school must keep a record of any goods that are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality and the Finance Department should be notified.
- 6.10 All invoices should be sent or e-mailed to the Finance Department. Invoice receipt will be recorded by the Finance Department (and the invoice scanned if appropriate) into the Financial Information System purchase ledger module.
- 6.11 The budget holder must make a detailed check against the order and the GRN and these documents must be attached to the invoice before it is sent back to the Finance Department. Budget holders must undertake these checks without undue delay and in any case within 7 days of invoice receipt.
- 6.12 If a budget holder is pursuing a query with a supplier the Finance Department must be informed of the query and periodically kept up to date with progress.
- 6.13 The Finance Department will input details of payments to be made to the purchase ledger and generate the BACS payments / cheques as required. The cheques and associated paperwork must be authorised by two of the nominated cheque signatories.
- 6.14 Cheques will be dispatched to suppliers by the Finance Department.

Procurement and Contract Spend Thresholds

- 6.15 The procurement and contract spend thresholds are as detailed within the Trust's Competitive Tendering Policy. This policy includes the overarching framework for purchasing and the ordering of goods and services and should be referred to in this regard.

Charge cards

- 6.16 The Trust currently uses the option of a Credit Card – these are issued to Headteachers and other key staff. All new requests for cards, authorisation, use and limit on this card is set by the CFO/CEO. Cardholders must acknowledge that the card is solely

for their use on school approved business and is school property. Cardholders undertake that they will not give the card or its number to anyone else to use; that they will only disclose the card number to complete a purchasing transaction or when reporting the loss or theft of the card; the expenditure and transaction limits must not be exceeded and that they are not permitted to amend spending limits or categories. Any charge cards issued should be held in a safe or locked drawer or security box until required and should be returned as soon as possible after use. If the Trust decides to use a different method of payment i.e. credit card, employee expense card etc. the authorisation, use and limit on this card must be set by the Finance, Audit and Risk Committee.

- 6.17 Purchases using the charge card must be approved by the cardholder and evidenced as such and must be supported by all relevant documentation. The Finance Department are responsible for reconciling and processing the monthly charge card statement ensuring all payments are supported by the appropriate evidence and ensuring that all credit card statements are approved/signed off by the CFO.

Leasing

- 6.18 There are 2 different types of lease – operating leases and finance leases – but schools should generally only enter into operating leases, as the use of finance leases require the Secretary of State's approval and effectively not allowed under the Trust Handbook.

- 6.19 Understanding the main differences is essential:

Operating lease typically have a shorter duration than the working life of the equipment. Under an operating lease, the leasing company ("lessor") retains the risks and rewards of ownership, and it will also retain an investment in the equipment being leased, known as the Residual Value. You will not own the equipment at the end of the agreement.

- 6.20 **Finance lease** agreements usually run for all, or a substantial proportion, of the equipment's estimated working life. Under a finance lease, the leasing company ("lessor") transfers all of the risks and rewards of ownership of the equipment to the customer ("lessee"). You will not own the equipment at the end of the agreement. Leases that do not meet the operating lease criteria will be finance leases.

- 6.21 The difference between a finance and operating lease depends on the substance of the transaction rather than the form of the contract. Approval must be sought from the CFO before any leases are entered into.

VAT and other taxes

- 6.22 The Trust will ensure it conducts its business in line with HMRC

guidance over its tax affairs. Staff are not permitted to make purchases for themselves through the school system in order to avoid the payment of VAT. VAT can only be reclaimed when supported by a VAT invoice/receipt. There is no VAT on transactions between settings within the Trust.

- 6.23 VAT claims will be made in accordance with HMRC guidance including allowance for exemptions at a rate agreed with the auditor. The CFO is responsible for ensuring this is carried out. Guidance on VAT can be found at:

<http://www.hmrc.gov.uk/vat/start/introduction.htm>

- 6.24 Claims will be submitted via the Making Tax Digital platform.

Charities and Corporation Tax

- 6.25 Limited companies and unincorporated organisations are liable for Corporation Tax on their profits from trading activities as defined by HMRC:

<https://www.gov.uk/corporation-tax>

- 6.26 As the Trust is a company limited by guarantee and an exempt charity, the Trust will follow the guidance issued by HMRC on tax exemptions for charities and seek advice from its accountants as to minimising its exposure to risk.

7 Income

- 7.1 The main sources of income for the Trust are the grants from the DFE and from our sponsors. The receipt of these sums is monitored directly by The CFO who is responsible for ensuring that all grants due to the Trust are collected.
- 7.2 The Trust also obtains income from:
- a. students, mainly for trips, clubs and school lunches.
 - b. the public, mainly for sports and other lettings.
 - c. Grant making organisations.
 - d. General donations.
 - e. Associations linked with the schools i.e. Friends of, Parent Associations
 - f. Business by way of financial donation or pro-bono work under the terms of their Corporate Social Responsibility policy.

Catering

- 7.3 If cash payments: Cash payments must be reconciled on a daily basis to the lunch records and signed as evidence of reconciliation by the catering/kitchen manager. The school meal numbers, and cash totals are then to be entered onto the weekly banking sheet.

The cash is kept in the safe prior to weekly collection for banking. The School must reconcile the weekly banking sheet to actual receipts banked (The reconciliation should be independently counter signed by a second member of personnel).

- 7.4 If electronic cash collection: Bank credits must be reconciled to the software reports and evidence of reconciliation maintained.

Trips

- 7.5 A lead teacher must be appointed for each trip to take responsibility for the collection of sums due. The lead teacher must 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 Department.
- 7.6 Students (or Parents) should make payments to the Finance Department via Parent Pay or Parent Mail in most cases (online system). For manual payments, a receipt must be issued for all monies collected and the value of the receipt and the number of the receipt recorded against the student making the payment.
- 7.7 The Finance Department should maintain an up to date record for each student showing the amount paid and the amount outstanding. This record should be sent to the lead teacher on a weekly basis and the lead teacher is responsible for chasing the outstanding amounts.
- 7.8 Variances to be reported and explained to the finance department.
- 7.9 Trips should be run at cost price, although allowance can be made for administrative fees and direct staff expenses. Any surplus greater than £10 per pupil should be redistributed to parents. If trips are subsidised, then the cross-subsidy (from the relevant department and/or pupil premium) must be approved by the budget holder in advance of the trip progressing.

School Lettings

- 7.10 See School Lettings Policy.

Custody

- 7.11 Official, pre-numbered Trust receipts should be issued for all cash and cheques received where no other formal documentation exists. All cash and cheques must be kept in the Finance Department safe prior to banking. Banking should take place every week or more frequently if the sums collected exceed the £500 insurance limit on the Finance Department safe.
- 7.12 Monies collected must be banked in their entirety in the appropriate bank account. The Finance Department 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 CFO.

Debt Management

- 7.13 The Trusts payment terms are 30 days for sales invoices raised. For non-invoiced income such as dinner money or trips it is expected that parents will pay as they go. All debts will be monitored at regular monthly intervals via an 'Aged Debtor Report' from the Accounting system. Schools must promote a positive culture for the prompt payment for goods and services provided.
- 7.14 All debts, regardless of age should be attempted to be collected and will remain as a bad debt until written off. The write-off of bad debt must be approved in accordance with Appendix 1, Scheme of Financial Delegation.

8 Cash Management

Bank Accounts

- 8.1 The opening of all accounts must be authorised by the Strategic Board via the Finance, Audit and Risk Committee who must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. The operation of systems such as Bankers Automatic Clearing System (BACS) and other means of electronic transfer of funds must also be subject to the same level of control.

Deposits

- 8.2 Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include:
- a. the amount of the deposit; and
 - b. a reference, such as the number of the receipt or the name of the debtor.

Payments and withdrawals

- 8.3 All cheques and other instruments authorising withdrawal from Trust bank accounts must bear the signatures of two of the following authorised signatories:
- a. CEO.
 - b. CFO; Nominated Trustee.
- 8.4 This provision applies to all accounts, public or private, operated by or on behalf of the Strategic Board of the Trust. Authorised signatories must not sign a cheque relating to goods or services for which they have also authorised the expenditure.

Administration

- 8.5 The CFO must ensure bank statements are received regularly and that reconciliations are performed at least on a monthly basis. Reconciliation procedures must ensure that:
- a. all bank accounts are reconciled to the Trust's computerised cash book.
 - b. reconciliations are prepared by the Finance Department.
 - c. reconciliations are subject to a monthly review by the CFO and
 - d. adjustments arising are dealt with promptly.
- 8.6 The Finance and / or the Administration Department is responsible for entering all transactions into the petty cash records on a regular basis and regular as well as unannounced cash counts should be undertaken by the Finance Department to ensure that the cash balance reconciles to supporting documentation.

Petty Cash Accounts

- 8.7 The Trust maintains various cash balances. The cash is administered by the Finance Department and is kept in the office safes in each school. It is the intention that cash is kept to a minimum and that most payments are via Parent Pay or school credit card (issued to the Headteacher).

Deposits

- 8.8 The only deposits to petty cash should be from cheques cashed specifically for the purpose. The receipt should be recorded in the petty cash system with the date, amount and a reference, normally the cheque number, relating to the payment. All other cash receipts for whatever reason should be paid directly into the bank.

Payments and Withdrawals

- 8.9 In the interests of security, petty cash payments will be limited to £25. Higher value payments should be made by cheque directly from the main bank account as a cash book payment.

Physical Security

- 8.10 Petty cash should be held in a locking cash box which is put in the safe overnight.

Online Banking

- 8.11 The Trust manages its day-to-day banking by using the appropriate online banking website.
- 8.12 The CFO is the designated System Administrator and is responsible for ensuring that the appropriate Finance staff have the necessary and agreed access rights.

Cash Flow Forecasts

- 8.13 The CFO is responsible for preparing cash flow forecasts to ensure that the Trust has sufficient funds available to pay for day-to-day operations. If significant balances can be foreseen, steps should be taken to invest the extra funds. Similarly plans should be made re-profile Income and Expenditure to cover potential cash shortages.

Investments

- 8.14 Please refer to the Trust Investment policy.

Balances and Reserves

- 8.15 Please refer to the Trust Capital and Revenue Reserves policy.

9 Fixed assets

Asset register

- 9.1 All items purchased with a value over the Trust's capitalisation limit of £1,000 must be entered in an asset register. The asset register should include the following information:
- a. asset description.
 - b. asset number.
 - c. serial number.
 - d. date of acquisition.
 - e. asset cost.
 - f. source of funding (% of original cost funded from DfE grant and % funded from other sources).

- g. expected useful economic life.
- h. Depreciation.
- i. current book value.
- j. Location.
- k. name of member of staff responsible for the asset where applicable.

9.2 The Asset Register helps:

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

Security of assets

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

9.4 All the items in the register should be permanently and visibly marked as the Trust's property and there should be a regular (at least annual) count by someone other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to the Strategic Board. Inventories of Trust property should be kept up to date and reviewed regularly. Where items are used by the Trust but do not belong to it this should be noted.

Disposals

9.5 Items which are to be disposed of by sale or destruction must be authorised for disposal by the CFO and, where significant, should be sold following competitive tender. The Trust must seek the approval of the EFSA in writing if it proposes to dispose of an asset for which capital grant in excess of £20,000 was paid.

9.6 Disposal of equipment to staff is not encouraged, as it may be more difficult to evidence the Trust obtained value for money in any sale or scrapping of equipment. In addition, there are complications with the disposal of computer equipment, as the Trust would need to ensure licences for software programmes have been legally transferred to a new owner.

9.7 The Trust is expected to reinvest the proceeds from all asset sales for which capital grant was paid in other Trust assets. If the sale proceeds are not reinvested then the Trust must repay to the ESFA

a proportion of the sale proceeds.

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

Loan of Assets

- 9.9 Items of Trust property must not be removed from Trust premises without the authority of the Head of Department. A record of the loan must be recorded in a loan book and booked back in Trust when it is returned.
- 9.10 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 Trust's auditors.

Appendix 1

Scheme of Financial Delegation

Delegated Duty	Value	Delegated Authority	Method
Ordering Goods and Services	Refer to the Purchasing and Contract Spend Threshold Table in the Competitive Tendering Policy		
Contract Signing	Refer to the Purchasing and Contract Spend Threshold Table in the Competitive Tendering Policy		
Tendering & Procurement	Refer to the Purchasing and Contract Spend Threshold Table in the Competitive Tendering Policy		
Income	Value above that set in the funding letter	Directors and Members	Secretary of States prior approval
Signatories for cheques	Up to £500	Any two signatories – category 1 or 2	Category 1 – CEO, CFO Category 2 – Executive Assistant to the CEO
	Over £500	Any two signatories – category 1	Category 1 – CEO, CFO
Signatories for BACS payment authorisations and other bank transfers	Up to £25,000	Any two – either Senior Administrators, CFO, CEO	
	Over £25,000	CEO, CFO or Chair of the Finance, Audit & Risk Committee	
Signatories for ESFA grant claims and ESFA returns	Any	CEO	
Virements of budget provision between budget holders	Up to £75,000 Over £75,000	CEO/CFO Finance Audit & Risk Committee	Authorising budget virements
Security of Assets	Fixed Asset Register All items over £1000 IT Equipment over £250	CFO	
Disposal of Assets	Up to £10,000	CFO	
	Up to £20,000	CEO	
	Over £20,000	Strategic Board up to ESFA approval level	
Contract Variations	Approve any contract variation over £10,000	Finance Audit & Risk Committee	

	Approve any contract up to £10,000	CFO	
Investments	Approve any investments over £30,000 up to £80,000 Approve investments below £30,000	Strategic Board Finance Audit & Risk Committee	
Write off bad debts	Up to £10,000 Over £10,000	CEO Strategic Board and ESFA approval	
Purchase or sale of any freehold property		ESFA approval	
Granting or take up of any leasehold or Tenancy agreement exceeding three years		ESFA approval	
Operating leases	Any	All contracts and leases must be referred to the CFO in the first instance for review and subsequently approved and signed by the CEO	
Finance Leases	Any	All finance leases must be referred to CFO as ESFA approval is required	
Raising invoices to collect income		CFO, Finance Officer	
Charge cards	Spending limit £2,000	CFO, Headteachers Pre-Agreed Finance and Administration staff with individual limits.	Business limit Various. CFO to sign off monthly credit card statements
Petty Cash	Cash balance up to £250 per Academy		
	Petty cash reimbursements up to £50	Executive Heads and Headteachers	
	Petty cash reimbursements up to £250	CFO	

IR35/IR56	Any	Any payments made to a person/company which does not hold a valid Limited Company registration number must be subject to IR35 approval by the CFO	
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