

# Financial Regulations

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## FINANCIAL REGULATIONS

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## Summary of Authorisation and Monetary Limits

### Authorisation Limits

#### **Expenditure Limits**

Site Manager (emergency minor building repairs)	Up to £500
Business Manager (In the event of the unavailability of the Headteacher)	Up to £1,000
Senior Leadership Team (In the event of the unavailability of the Headteacher)	Up to £5,000
Headteacher (after application of ordering/contract letting limits)	Up to £100,000
Local Finance and Premises Committees (LFPC)	Over £100,000 (via termly committee meetings -)
Board of Trustees of Trust	all major capital projects over £200,000 (via termly FAR meeting)

#### **Cheque Signatories**

Two signatories	Up to £20,000
Two signatories one of which must be the Headteacher	Over £20,000

#### **Virement Limits**

Principal Finance Officer	Up to £500
Headteacher	From £501 to £5,000
Local Finance and Premises Committees	From £5,001 to £10,000
Full Local Governing Bodies	Over £10,000

#### **Writing off bad debts**

Headteacher	Up to £1,000
Local Finance and Premises Committees	Over £1,000
Full Governing Body with ESFA notification	Over £45,000 per single transaction
All proposed write offs to be reported to the Chief Finance Officer, regardless of value, for consideration and assessment of potential recovery measures, prior to seeking approval from HT or Local Finance Committees.	

#### **Disposal of Surplus Stock, Stores & Assets (estimated value)**

Headteacher	Up to £1000
Local Finance and Premises Committees	From £1001 to £10,000
Full Local Governing Body	From £10,001 - £19,999
Board of Trustees with ESFA notification	£20,000 and above (ESFA -if capital asset) All acquisition/disposal of land or buildings

### Other Monetary Limits

Petty Cash Imprest	£500 (each school)
Safe Cash/ Cheque limits – locked safe	£10,000 (each school) – recorded at point of receipt
Cash/Cheque limits – not in safe/in transit	£5,000 (each school) – recorded at point of receipt
(as per RPA membership guidance)	£5,000 – cheques (recorded at point of receipt) £500 monetary instruments i.e. stamps, vouchers

#### **Ordering Procedures**

3 Competitive quotations (written evidence required)	£5,000 - £50,000
Tendering procedure	Over £50,000
Tendering procedure + OJEU	approx.£189k+ for supplies and services
Tendering procedure + OJEU	approx.£4.7m+ for works

### Asset Register

Capitalisation limit	Over £2,000
Attractive portable items	Over £250 (laptop/IPad)

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## 1. Introduction

The purpose of this manual is to ensure that 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 our funding agreement with the Department for Education/ESFA.

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

The manual is subject to annual review and is presented to the Local Finance and Premises Committees, the trust's Finance and Audit Committee and the Board of Trustees for consideration and approval.

## 2. Organisation and responsibility

### The Board of Trustees of the Trust

The trust board has overall responsibility for the administration of the trust's finances.

The main responsibilities of the trust board are prescribed in the Funding Agreement between the trust and the ESFA and in the trust's scheme of delegation. The main responsibilities include:

- ensuring that grant from the ESFA is used only for the purposes intended;
- approval of the annual budget of the MAT;
- appointment of the Chief Accounting Officer;
- appointment of the Headteachers of the schools in conjunction with representatives from the local governing body (LGB) (who are also ex-officio governors,); and a Diocese of Brentwood representative
- appointment of the Chief Finance Officer, in conjunction with the Chief Accounting Officer
- approval of the trust's Financial Regulations;
- approval of the annual statutory accounts including the annual governors' report
- authorising the award of contracts over £50,000;
- determining the MAT's financial priorities through the trust's development plan and asset management plan (if applicable).

Apart from the above, the delegation of the financial matters of the individual schools' which are forming part of the Trust are delegated to the Finance, Audit & Risk Committee, the Local Governing Bodies (LGB) and the Local Finance and Premises Committees.

All committees must be chaired by a trustee or governor, although may also include in the minority non-governors where specific knowledge or experience is required.

The Board of Trustees meet at least once a term, but generally four times in an academic/financial year. In light of the expansion of the Trust, the need to meet more frequently is reviewed annually. All meetings are minuted.

### Finance, Audit and Risk Committee (see annex 1)

The Finance, Audit and Risk Committee is a committee of the Board of Trustees.

The main responsibilities of the Finance, Audit and Risk Committee are detailed in written terms of reference which have been authorised by the Board of Trustees. The main responsibilities include:

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- establishing and maintaining a sound system of internal controls for the trusts;
- appoint the internal and external auditors of the trust;
- agree a programme of internal control reviews to ensure that the established control framework is operating effectively at all schools of the MAT;
- receive the audit reports and ensure the implementation of recommendations;
- establish appropriate risk management processes to mitigate risks identified;
- review the risk map annually;
- the initial review and authorisation of the trust's consolidated annual budget before submission to ESFA;
- monitoring of the trust's consolidated financial performance and cash flow projections at least 3 times a year
- ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 2006 and the ESFA guidance issued to academies;
- ensure that the trust's Internal Scrutiny report is produced in accordance with the Academies Financial Handbook and submitted to the ESFA together with the audited annual accounts.

The Audit and Risk Committee meets at least once a term, but generally four times in an academic/financial year. In light of the expansion of the Trust, the need to meet more frequently is reviewed annually. All meetings are minuted.

## Local Governing Bodies (LGB)

Each school in the MAT has their own LGB with delegated powers as detailed in the scheme of delegation/decision planners, which have been authorised by the Board of Trustees.

The main financial responsibilities of the Local Governing Bodies include:

- approving the individual school's annual budget, which is then consolidated into the trust's annual budget;
- ensuring that the school is setting a balanced budget each year and that adequate levels of reserves are maintained by the school (refer to the Trust's reserves policy)
- authorising changes to the individual school's list of personnel establishment;
- determining the individual school's financial priorities through the school's improvement plan, ensuring that any strategic initiatives determined by the Board of Trustees are taken into consideration
- approving budget virements above £10,000;

The Local Governing Bodies meet at least once a term, but generally four times in an academic/financial year. All meetings are minuted.

## Local Finance & Premises Committee (see Annex 2)

The Local Finance & Premises Committees are committees of the LGB.

The main responsibilities of the Finance & Premises Committee are detailed in written terms of reference which have been authorised by the local governing bodies. The main responsibilities include:

- the initial review and authorisation of the school's annual budget, ensuring that key budget and funding assumptions determined for the Trust have been adhered to and that the school is setting a balance budget each year;
- the regular monitoring of actual expenditure and income against budget (at least once a term);
- recommending changes to the individual school's list personnel establishment in light of budgetary constraints;
- approving budget virements between £5,001 and £10,000;

The Local Finance & Premises Committees meet at least once a term, but generally four times in an academic/financial year. All meetings are minuted.

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## **The Chief Accounting Officer and the Headteachers**

The Board of Trustees have appointed a Chief Accounting Officer (CAO), who is also the Accounting Officer of the trust for ESFA reporting purposes and who is accountable to Parliament.

Within the framework of the trust development plan as approved by the Trustees, the Chief Accounting Officer has overall executive responsibility for the trust's activities including financial activities.

The Chief Accounting Officer have a personal responsibility for:

- the propriety and regularity of the public finances for which they are answerable;
- keeping proper accounting records;
- prudent economical administration;
- avoidance of waste and extravagance;
- effective and efficient use of all the resources in their charge;
- signing the trust's annual Governance Statement, jointly with the Chair of Trustees;
- signing the trust's annual Statement of Regularity, Propriety and Compliance and other returns as required by the ESFA;
- preparing the trust's annual Internal Scrutiny Report as required by the ESFA.

Much of the financial responsibility has been delegated to the Chief Finance Officer but the Headteachers still retain responsibility for:

- approving new staff appointments within the authorised establishment, except for any senior staff posts which the governing body have agreed should be approved by them;
- authorising expenditure up to £100,000 (following adherence to ordering and procurement procedures) in conjunction with the Chief Finance Officer;
- signing cheques / authorising BACS payments in conjunction with one of the other authorised signatory of the relevant school;

## **Chief Finance Officer (CFO)**

The Chief Finance Officer works in close collaboration with the Chief Accounting Officer and the Headteachers through whom he or she is responsible to the trustees. The CFO also has direct access to the Trustees via the Finance, Audit and Risk Committee. The main responsibilities of the CFO are:

- the day to day management of financial issues including the establishment and operation of a suitable accounting system;
- the management of the trust's financial position at a strategic and operational level within the framework for financial control determined by the governing body;
- the maintenance of effective systems of internal control;
- ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of the trust ;
- the preparation of monthly management accounts;
- authorising budget virements up to £500; and
- ensuring forms and returns are sent to the ESFA in line with the timetable in the ESFA guidance.

## **The Responsible Officer**

Appointment of a Responsible Officer is not mandatory, therefore the Board of Trustees have decided not to appoint a Responsible Officer as the duties of this post is undertaken by the Audit and Risk Committee and the Local Finance & Premises Committees. The main duties of this position are:

- the financial responsibilities of the governing body are being properly discharged;
- resources are being managed in an efficient, economical and effective manner;
- sound systems of internal financial control are being maintained and
- financial considerations are fully taken into account in reaching decisions.

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## **Other Staff**

Other members of staff, primarily the School Business Managers or Office Manager (depending on the structure of individual schools) the Finance Assistants, the Admin Assistants and budget holders, will have financial responsibilities and these are detailed in the following sections of this manual. 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.

The trust engages external management accountants to assist with the school level financial reporting and budgeting processes. These external consultants are required to follow the trust's financial regulations and processes.

## **Register of Interests**

It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from the decisions they make. To avoid any misunderstanding that might arise all trustees, governors and staff with significant financial or spending powers are required to declare any financial interests they have in companies or individuals from which the trust may purchase goods or services.

A register of business interests is maintained by the Company Secretary and is available for inspection throughout the year by the public, parents, governors and staff. The register of interest is summarised and available on the Trust's website. Governors' interests are summarised on individual schools' websites.

The register is updated immediately a change occurs by way of the 'declaration of interests' form, and should include all business interests such as Directorships, share holdings or other appointments of influence within a business or organisation which may have dealings with the trust. The disclosures should also include business interests of relatives such as a parent, spouse or business partner where influence could be exerted over a trustee or a governor or a member of staff by that person. The Company Secretary will retain all 'declaration of interest' forms, including 'nil' returns.

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

## **3. Day to day delegation of authority**

### **Expenditure Limits**

All orders up to £100,000 are referred to the respective Headteacher for authorisation or the Senior Leadership Team (up to £5,000 only) in the event of unavailability of the Headteacher. The Headteacher must ensure that the ordering procedures (quotes, tendering, contract letting) and procurement limits are fully complied with when authorising an order.

The School Business Managers and Office Manager are able to authorise expenditure for day-to-day items and services up to £1,000 on any one item (excluding utility charges and annual contracts where the approximate cost has clearly been documented and approved in the annual budget) as long as an adequate budget provision exists.

A sequence of orders all within the above limit to cover a larger order or orders is not permitted.

Expenditure over £100,000 should be referred to the Local Finance Committee (LFC), who has full authorisation to approve all such expenditure via the termly budget monitoring and virements reports. The LFC should report to the Full Local Governing Body on the year to date financial outturn of the school and key financial projections termly. For avoidance of doubt, no signature of a member of LFC is required on relevant invoices over £100,000, the authorisation of expenditure by the LFC is done through detailed review of the financial reports of the school.

For small emergency repairs, the Site Manager is able to authorise minor building repairs, where they are of an emergency nature, up to a value of £500 on any one repair.

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## **Cheque/ BACs payments signatories**

All cheques / BACs payments must be signed by two of the school's authorised signatories, one of which must be the Headteacher if the amount exceeds £20,000. The authorised signatories are: Headteachers, Deputy Headteacher or Assistant Headteachers. School Business Managers within schools may also be authorised signatories if nominated by the Headteacher.

## **Virement (Budget Transfer) Limits**

The Chief Finance Officer can authorise budget virements between individual cost centres within the same expenditure category up to a limit of £500.

The Headteacher is able to authorise virements between individual cost centres up to a limit of £5,000. Virements over this amount are to be referred to the Local Finance and Premises Committee who has authorisation to approve virements up to a limit of £10,000. Authorisations over £10,000 are to be referred to the Local Governing Body.

All virements, including increases to income, are to be formally recorded by the CFO. All virements must be reported to the Local Finance Committee at the next meeting via the termly forecast reports.

## **Bad Debts**

Due to the limited level of commercial activities undertaken by the schools, it is not expected that any debts will be required to be written off.

The Headteacher may authorise writing off bad debts up to a value of £1,000, however all proposed write offs to be reported to the Chief Finance Officer, regardless of value, for consideration and assessment of potential recovery measures, prior to approval by the Headteacher.

Requests for write offs above £1,000 are to be referred to the Local Finance Committee. All bad debts written off by the Headteacher will be reported to the Local Finance Committee at the next meeting.

For any write offs above £45,000 (single transaction or 1% of total annual income) will be referred to the Board of Trustees and the Local Governing Body notifying the ESFA at the same time in line with the Academies Financial Handbook. Authorisation for such write off are required from the Education Skills and Funding Agency.

A sequence of smaller write offs within the above limits to cover a larger write off, is not permitted.

## **Disposal of Surplus Stocks, Stores and Assets**

The Headteacher can dispose of surplus stocks, stores and assets to the net book value of £1,000 without prior authorisation from the Local Governing Body. All disposals to this value must be reported to the Local Finance Committee at the next meeting. Authority for disposals above this amount can only be given in accordance with the specified limits.

All disposals must be formally recorded in the Local Finance Committee minutes and in addition, where the amount is between £10,000 to £19,999 a separate report will be issued to the full Local Governing Body for their approval.

Amounts above £20,000 must be approved by the trust's FAR committee and if they are capital assets of £20,000 and above, notification must also be made to the Education Skills and Funding Agency. In addition, all acquisition and/or disposal of land and buildings must be approved by the ESFA.

## **Receiving of Goods / Acknowledgment of Service**

Receiving of goods and signing of deliver notes will not in normal circumstances be undertaken by the person authorising payment. For day to day operations therefore, receiving and signing for goods and services etc. will be by a member of staff who is not involved in the authorisation process.

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## **Staff Subsistence, re-imbursments, overtime and expense claims**

All expense / re-imbursment, overtime claims must be authorised by the Headteacher. Staff must agree with the Headteacher in advance of the expenditure incurred the eligibility of the forthcoming claim.

The Chair of the Local Finance Committee should monitor and authorise any claims relating to the Headteacher on a termly basis. Authorisation of the Headteacher's expense claims must be undertaken by two other signatories.

A report detailing Headteachers expense claims and reimbursements will be sent to the trustee's FAR committee annually to ensure transparency.

Receipts or other appropriate evidence of expenditure must be attached to the claim in respect of all purchases, i.e. rail/bus fares, subsistence, postage and any other purchases that may be approved. The Trust may not reclaim VAT without a proper VAT receipt.

The Trust must seek dispensation from the HMRC in order that expenses and benefits in kind are paid without deduction of tax and National Insurance. A dispensation is a notice from HM Revenue & Customs (HMRC) that removes the requirement to report certain expenses and benefits at the end of the tax year on forms P11D or P9D. There is also no need to pay any tax or National Insurance contributions on items covered by a dispensation. Once granted, dispensations last indefinitely. However, HMRC reviews them regularly (usually at intervals of five years or less) to make sure that the conditions under which they were issued still apply.

## **Staff Appointments**

The Local Governing Body approves the list of personnel establishment for the individual schools. Changes can only be made to this list with the express approval in the first instance of the Local Finance Committee who must ensure that adequate budgetary provision exists for any establishment changes.

The Headteacher within each school has authority to appoint staff within the authorised establishment except for Deputy Headteacher and Assistant Headteacher whose appointments must follow consultation with the LGB and Diocese of Brentwood. The appointment of a Headteacher, the Chief Accounting Officer and the CFO must involve at least one member of the Board of Trustees. The Headteacher in conjunction with the School Business Manager / Office Manager maintains personnel files for all members of staff which include contracts of employment. All personnel changes must be notified to the Chief Finance Officer immediately to enable to assess the budgetary requirements promptly.

All personnel pre-employment checks should be completed and relevant clearances obtained for all staff before they start their employment and renewed as per the trust's personnel policies and school's staff recruitment policies.

All relevant forms and paperwork with regard to the appointment of, or amendment to contracts, of staff should be sourced from the trust's Human Resources (HR) service provider.

## **4. Accounting system**

All the financial transactions of the schools and trust must be recorded on the trust's PS Financial accounting system (rebranded to IRIS), which is operated by the Chief Finance Officer and other staff involved in transaction processing.

### **System Access**

Entry to the accounting system is password restricted and the passwords are required to be changed termly.

Access to the component parts of the accounting system is restricted and the access levels have been set by the CFO and Chief Accounting Officer at set up of PS Financials. The Chief Finance Officer is responsible for reviewing the access levels for all members of staff using the system annually.

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## Back-up Procedures

The IT support service is provided by Trust IT technical support team. The LGFL GridStore remote backup solution is used for Trust schools. GridStore provides off-site backup services using the latest version of Attix 5 (a remote backup software) and backs up the schools data automatically on a daily basis. The stored data is encrypted. A daily full back up also is done at the site to the local NAS box (Network Area Storage) in addition to an off-site back up. For one school that is not currently using the Trust's IT support team not local NAS box is used, but back-up is completed off site. The notification email is sent every day when the backup has been completed successfully or unsuccessfully. The partial backup data is restored every week for testing purposes.

The hosting of the accounting system, PS Financial, has been moved to the PS Financial Cloud in March 2016 and it is backed up daily as part of the hosting service.

The Headteachers have a 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 trustees 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

All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are included in the following sections of the manual.

All journal entries must be prepared and/or authorised by the CFO prior to being input to the accounting system. The Chief Accounting Officer will review all journals processed by the CFO.

Bank transactions should be input by the School Business Managers, Officer Manager, Finance Assistance or Admin Assistant of the respective schools or the CFO in line with approved segregation of duties agreed for each school (depending on staffing structure) Payroll related bank transactions may also be input by the trust's external management accountants if required.

Detailed information on the operation of the PS Financial accounting system can be found in the user manuals available online via PS Financial Knowledge Base (zendesk).

## Transaction Reports

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:

- masterfile amendment reports for the purchase ledger and sales ledger (PSF audit reports)
- trial balance;
- detailed monthly nominal transactions reports;
- account and document enquiry reports to investigate unusual transactions;
- management accounts summarising expenditure and income against budget at budget holder level

Transactional review is also undertaken by the external management accountants on a monthly basis.

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## Reconciliations

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

- sales ledger control account;
- purchase ledger control account;
- payroll control accounts;
- VAT control account;
- Credit card control accounts;
- Intercompany control accounts;
- all suspense and in-transfer accounts and
- bank balance per the nominal ledger to the bank statement.

These reconciliations are currently delegated to the external management accountants as part of their month end review process. Refer to month end task list distributed to all schools.

Any unusual or long outstanding reconciling items must be brought to the attention of the CFO. The monthly reconciliations of control accounts are evidenced via a:

- review of aged debtor and creditors reports
- review of unallocated transaction on balance sheet control accounts in PSF)
- review of bank reconciliation reports

All bank reconciliation are signed by the CFO or the CAO.

## 5. Financial planning and monitoring

The trust prepares both medium term (3 years) and short-term financial plans.

The medium term financial plan is prepared as part of the development planning process. The Trust Improvement Plan and individual School Improvement Plans (development plans) indicate how the trust's educational and other objectives are going to be achieved within the expected level of resources over the next three years.

The Trust Improvement 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.

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

### Development Plan (Trust and School Improvement Plans)

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.

The form and content of the development plan are matters for the trust to decide but due regard should be given to the matters included within the guidance to Academies and any annual guidance issued by the ESFA.

Each year the CAO and Headteachers will propose a planning cycle and timetable to the trustees and local governing bodies which allows for:

- a review of past activities, aims and objectives - "did we get it right?"
- definition or redefinition of aims and objectives - "are the aims still relevant?"
- development of the plan and associated budgets - "how do we go forward?"
- implementation, monitoring and review of the plan - "who needs to do what by when to make the plan work and keep it on course" and
- feedback into the next planning cycle - "what worked successfully and how can we improve?"

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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.

For each objective the lead responsibility for ensuring progress is made towards the objective will be assigned to the Headteachers or members of the Senior Leadership Team (SLT). The responsible manager should monitor performance against the defined success criteria throughout the year and report to the SLT on a termly basis. The Headteachers will report to the local governing body if there is a significant divergence from the agreed plan and will recommend an appropriate course of action. The CAO will report to the Board of Trustees on the Trust's Improvement Plan.

## Annual Budget

The Chief Accounting Officer is responsible for the preparation of the annual budget, which should be balanced. The CFO prepares the detailed consolidated budget based on the individual school budgets, which are prepared by the external management accountants together with the Headteachers and School Business/Office Managers based on the priorities of the development plan and the action plans prepared by the budget holders.

The budgetary planning process incorporates the following elements:

- forecasts of the likely number of pupils to estimate the amount of ESFA grant receivable;
- reviews of other income sources available to the trust to assess likely level of receipts;
- reviews of past performance against budgets to promote an understanding of the trust cost base;
- identification of potential efficiency savings; and
- review of the main expenditure headings in light of the development plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes;
- Asset management requirements and plans.

The draft budget of each school is presented to the respective Local Finance Committee for review, discussion and amendment if appropriate. When agreed by the Local Finance and Premises Committee, the budget is submitted to the Full Local Governing Body for formal review and approval.

The schools individual budgets and the Trust's central budget are then aggregated to obtain the Trust's consolidated budget.

The consolidated Trust budget is then presented to the Finance, Audit & Risk Committee for review and to the Trust's Board of Trustees for approval.

The individual school budgets will be communicated to all staff with responsibility for budget headings so that all relevant staff aware of the overall budgetary constraints. This is done via distribution the budget matrix and budget holder statements in August, ahead of the coming financial year.

Once approved, the budget should be promptly loaded on the trust's financial accounting system and "fixed" as at the approval date. Any subsequent changes to the budget (virements, including changes to funding) should be in accordance with the delegation of authority and procedures described above.

A copy of the signed budget plan should be placed in the Board of Trustees' minute file and a further copy of individual school budgets should be retained by the relevant Headteachers and CFO.

Budget holders will be informed of the budget available to them as soon as the budget is approved. It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent.

The budget should be seen as a working document which may need revising throughout the year as circumstances change. Formal budget reviews (reforecasting) will be undertaken termly.

The approved budget must be submitted to the ESFA by 31 July each year or within 6 weeks of receipt of the final funding letter 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.

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## Monitoring and Review

Monthly financial reports for the schools will be prepared by the external management accountant from PS Financials and submitted to the CFO for review and consolidation. These reports will detail actual income and expenditure against budget for the Headteachers and at a summary level for the Local Finance Committees.

Any potential overspend against the budget must in the first instance be discussed with the CFO before any commitments are made to incur the expenditure. Expenditure to overspend the budget can only be incurred once appropriate budget virements is approved in line with the procedures outlined in this manual.

A Management Information Pack will be prepared termly for the Board of Trustees presenting aggregated financial information for the Trust including:

- actual income and expenditure against budget and previous periods or years along with a commentary sufficiently detailed to draw attention to any key variances which have arisen;
- a month end balance sheet;
- a projected year end outturn;
- a rolling 12 month cash flow forecast
- a report on capital spends against budgets;
- key financial performance indicators;
- trading accounts of key operations such as catering, extended school provisions and annual visits (once a year only to LFCs) and key risk areas (e.g. extended / income generating nursery provision)

The monitoring process should be effective and timely in highlighting variances in the budget so that differences can be investigated and action taken where appropriate. If a budget overspend is forecast it may be appropriate to vire money from another budget or from the contingency.

The CFO can authorise small budget changes to a limit of £500 and the Headteachers up to £5,000. All changes of budget expenses are reported to the Local Finance Committees and Governing Body. All larger budget virements must be authorised by the Local Finance Committees or the LGB.

Refer to budget virements limits detailed on page 3.

## 6. Annual Accounts and Financial Returns

The CFO is responsible for ensuring that all financial transactions are recorded on the trust's financial accounting system in accordance with the guidelines issued by the Education Skills and Funding Agency in its Annual Accounts Directions and Financial Handbook.

The CFO is responsible for preparing the Trust's Annual Accounts in line with the requirements of the Companies Act 2006, applicable UK accounting standards including the relevant Statement of Recommended Practice (SORP) 2015 and the accounting policies agreed by the Board of Trustees.

The Board of Trustees is responsible for approving the trust's annual accounts and annual report and ensuring the annual accounts are audited and submitted to the Education Skills and Funding Agency by the required deadlines. Details of all the financial information required to disclose are as set out in the latest Accounts Direction for the year being reported.

In addition to submitting accounts to the Education Skills and Funding Agency, under section 442 (2a) of the Companies Act 2006, accounts must be filed with Companies House within 7 months of the end of the accounting period.

The trust is required to publish its audited Annual Accounts on its website promptly after approval and keep the information on its website for 3 consecutive years.

The CFO is responsible for preparing and submitting all financial returns required by the ESFA or other external bodies (i.e. VAT returns) ensuring that deadlines are met.

# Financial Regulations

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## 7. Payroll

The main elements of the payroll system are:

- staff appointments;
- payroll administration and
- payments

### Staff Appointments

Refer to policies and procedures detailed under the same heading on page 8.

### Payroll Administration

The trust's HR and payroll administration has been outsourced to Education Personnel Management ('EPM') since 1 September 2020

All staff are paid monthly through the payroll provider. A master file is created for each payroll run based on information provided by employer school. This includes:

- contract detail (ie. teacher or support payroll, contractual hours)
- salary;
- bank account details;
- taxation status;
- personal details and
- any deductions or allowances payable

Any changes to the master files can only be made with the express approval of the relevant Headteacher and the changes are uploaded to the EPM online portal by the School Business Manager / Office Manager on the 1<sup>st</sup> working day of each calendar month. Payroll provides a draft payroll report for review by the Headteachers, which is saved on EPM's payroll portal. After review of the draft payroll report, the Headteachers either confirm acceptance or raise queries via email to the Trust's dedicated payroll officer. After the resolution of queries, a final payroll report is saved on the portal by the provider, and the Headteachers confirm in writing (by email or online authorisation) the authorisation of the payroll, which is then followed by payments to employees. The payments are made by BACS by EPM on behalf of the Trust.

The trust operates two payroll runs, one for support staff (paid on 15<sup>th</sup> of each month) and one for teachers (paid on 25<sup>th</sup> of each month).

All amendments to pay such as overtime, additional hours, contract changes, terminations must be documented and authorised by the Headteacher. Reports of changes made are available on the payroll portal.

### Authorisation and Payments

After the payroll has been processed, but before payments are dispatched, EPM provides detailed reports of the monthly payroll via a payroll portal, which is only accessible to authorised staff through a password.

These reports are:

- payslips by employee
- Detailed payroll analysis by employee, including all deductions
- Variances report comparing the payroll to previous month's pay
- Summary payroll for the month
- Payment reports on BACS amounts to employees/TP/LGPS/HMRC and other 3<sup>rd</sup> parties

The reports must be reviewed and authorised together with authority to release payment by the Headteacher and evidence of this review and authorisation is evidenced on the online portal or in saved email folders.

All salary payments are made by BACS, which is initiated by the payroll agent.

# Financial Regulations

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The payroll provider 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 analysis tab of the payroll report. These reported payments are reconciled to the bank statements on a monthly basis by the external management accountants..

The external management accountant 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.

After the payroll has been processed, EPM provides a draft payroll journal for each payroll run, which is checked to ensure accuracy by external management accountant. The payroll journal is then processed in PS Financials by the external management accountant and reconciled to the bank payments. management accountant, Postings will be made both to the payroll control accounts and to individual cost centres. The CFO reviews the payroll control accounts each month to ensure the correct amount has been posted and allocates the payments against the charges.

On an annual basis, the Headteacher 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 Headteacher's office.

Payroll records should be kept for at least 6 years, while pension records must be retained for 40 years.

## **Non-contractual/non-statutory payments**

In line with the current Trust's Financial Handbook, any non-contractual or non-statutory severance or compensation payments offered to staff (over the limit of £50,000) must be approved by the ESFA prior to payment.

## **Novel and/or contentious payments**

All payments (including payroll) which are novel and/or contentious must be approved by the ESFA before taking place. Novel means outside of normal business activities. Contentious means those which might give rise to criticism.

## **8. Purchasing and Payments**

The trust wants to achieve the best value for money from all its purchases. This means they want to get what they need in the correct quality, quantity and time at the best price possible. A large proportion of their purchases will be paid for with public funds and they need to maintain the integrity of these funds by following the general principles of:

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

### **Routine Purchasing**

Budget holders 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 the budget and to ensure that the funds available are not overspent. A report detailing actual expenditure against budget (budget holder statements) will be supplied to each budget holder a week after the end of each month and budget holders are encouraged to keep their own records of orders placed but not paid for.

Budget-holders are responsible for requesting the purchase of items or services using the internal order form, which must be authorised by the Headteacher. A quote or price must always be obtained before any order is placed. Automated order authorisation is planned to be implemented during the 2020/21 financial year, which will be facilitated via the PS Online purchasing module of PS Financials.

# Financial Regulations

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On receipt of the authorised internal order form, the Finance Assistant of each school will determine that the appropriate budget has sufficient funds to meet the order and raise the order in PS Financial to create the commitment in the financial system. The sequentially numbered order form is then printed from the system and sent to the supplier or emailed to the supplier.

A check slip must be attached to all orders where the various stages of processing and checks undertaken can be recorded. The un-invoiced orders should be filed in the Outstanding orders file, which should be checked by the external management accountant/Finance Officer each month end to ensure that long outstanding orders are queried with the budget holders/suppliers.

PS Financial has a budget checking function, which rejects orders if it would result in a budget overspend. If the budget checking has failed for an order then the budget holder should discuss this with the CFO or Headteacher to identify potential budget virements.

Any urgent order that is placed verbally should be entered onto the accounting system as soon as possible so that a purchase order can be set up to register the financial commitment. It is not acceptable to wait until the invoice/delivery note is received before entering a commitment onto the accounting system.

The budget holder must make appropriate arrangements for the delivery of goods to the trust. On receipt the budget holder must undertake a detailed check of the goods received against the goods received note (GRN) and make a record of any discrepancies between the goods delivered and the GRN. Discrepancies should be discussed with the supplier of the goods without delay and notified to the finance office.

If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Finance Office should be notified. The Finance Assistant will keep a central record of all goods returned to suppliers.

All invoices should be sent to the Finance Office and will be checked against the original order for accuracy (and delivery notes where appropriate) and entered promptly on the Trust's financial accounting system by the Finance Assistant. The unique document number of the invoice posted must be marked on the check slip attached the order. The invoices should then be attached to the order and filed in the relevant invoice file (order or non-order invoices) in sequential order.

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

At the end of each month the external management accountant will produce a list of outstanding invoices from the purchase ledger (Aged creditor report) and this will be reviewed by the School Business Manager/ Office Manager or the CFO. The Headteacher will indicate on the list the invoices that should be paid.

The relevant staff member (per the segregation of duties chart for each school) will then prepare the payment run in PS Financials and generate the cheques required or BACS payments. The cheques/BACS request and associated paperwork must be authorised by two of the nominated signatories. The primary payment method is now via BACS in both academies. If a signatory is authorised to both launch a BACS payments via Lloyds Commercial and authorise payments online, they must not self-authorise, therefore another signatory must authorise such payments. Appropriate rules are set up on Lloyds Commercial to avoid self-authorisation.

Once the BACS payment has been made and cheques have been dispatched to suppliers, per the segregation of duties chart for each school, invoices should be stamped as PAID and note the unique payment document number on the attached check slip/attach the system generated remittance advice to the invoice and then place it in the appropriate invoice file.

Copy invoices are not to be paid unless exhaustive checks have been performed to confirm that payment has not previously been made. References back to the original order are to be made in every case. Once the checks have been made, the invoice should be signed to confirm this and endorsed "copy invoice not previously passed for payment". Under no circumstances are payments to be made against supplier statements.

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## **Orders over £5,000 but less than £50,001**

At least three written quotations should be obtained for all orders between £5,000 and £50,000 to identify the best source of the goods/services. Written details of quotations obtained should be prepared and retained by budget holders for audit purposes. Telephone quotes are acceptable if these are evidenced and emailed confirmation of quotes has been received before a purchase decision is made.

## **Orders over £50,000**

All goods/services ordered with a value over £50,000, or for a series of contracts which in total exceed £50,000 must be subject to formal tendering procedures. Purchases over £189,330 (threshold from 01/01/20) may fall under EU procurement rules which require advertising in the Official Journal of the European Union. Guidance on the OJEU thresholds can be found at <http://www.tendersdirect.co.uk/Help/Thresholds.aspx>.

**The Trust's Competitive Tendering Policies and Procedures are detailed under section 9 below.**

## **Internet Purchases**

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

The Business Manager / Office Manager / Finance Assistant / Admin Assistant will be authorised to place online purchases. Requests should be made to the Finance Assistant from the budget holder in the normal manner on an official order form, which is authorised by the Headteacher.

It is the responsibility of the budget holder to ensure the internet is the most appropriate means for procurement. Where possible the official order number should be quoted on the internet order as a cross reference.

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

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

Payment by an individual's personal credit/debit card should only be considered when the above options have been exhaustively attempted and failed and it is expected to be only in exceptional case rather than the norm. The approved authorisation procedures for purchases should still be adhered to and the Trust retains the right to refuse to reimburse the individual if the Trust's procedures are not followed. Reimbursement to individuals should be made in the normal manner upon production of an original invoice/receipt.

Supplier invoices, delivery notes and all relevant documentation should be obtained for all internet purchases and retained within the normal filing system. This is especially important if the Trust is to recover any VAT element.

All purchases should only be made from secure websites that the Business Manager/Office Manager/Finance Assistant/Office Assistant has gained reassurance they are safe and free from fraudulent activity. The use of online auction websites is not recommended.

## **Purchase Cards (credit or debit cards)**

Purchase cards may be issued by schools within the trust to key staff members to purchase items for the school instead of using petty cash. These key staff members are generally the authorised signatories, although a senior administrative member of staff may be given authorisation, at the Headteacher's discretion.

Purchase cards are issued in the name of schools within the Trust with an authorised total spend limit of £15,000 (or lower) for all cards in a month (per school for credit cards).

The cards are held by the authorised users and they are responsible for keeping the cards safe at all times.

The card holders are only authorised to use the cards for purchases on behalf of the trust and understand that **personal use is not permitted under any circumstances.**

# Financial Regulations

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Purchase cards should only be used where the normal payment methods (cheques/BACS) are not possible/feasible (i.e. internet purchases in some cases) and it should not be used to circumvent the approved payment procedures. Supplier invoices should not be paid via purchase cards.

The routine purchase procedures with regards to authorised internal order forms are required to be followed prior to use of the purchase card. The cardholders are only authorised to use the purchase cards for purchases below £4,999 for items ordered using the internal order forms or up to £200 if it is used for purchases to replace the use of petty cash.

The cardholder must retain/obtain all relevant receipts (VAT receipts), delivery notes and invoices in relation to each card purchase, which should be forwarded to the Finance Assistant/Admin Assistant for processing in the accounting system as soon as possible after the transaction has taken place.

Credit card transactions are recorded on the credit card control account, which is reconciled to the monthly credit card statement by the Finance Officer/Admin Officer and checked by the external management accountant each month end.

The debit card payments are recorded on the bank account in the accounting system and reconciled via the monthly bank reconciliation process by the external management accountant

All relevant documentation with regards to card purchases should be filed in the relevant Credit Card/Debit Card transaction files.

The misuse of purchase cards are strictly forbidden and may result in disciplinary procedures against the member of staff involved.

## **Petty Cash**

The schools within the trust maintain a maximum petty cash balance of £500 at each school. The cash is administered by a member of the office staff as detailed in the financial duties chart for each school and is kept in each school office's lockable cash-tin or safe.

The only deposits to petty cash should be from cheques cashed specifically for the purpose (e.g.float).

The receipt should be recorded in the petty cash book and the accounting system with the date, amount and a reference, normally the cheque number, relating to the float. All other cash receipts for whatever reason should be paid directly into the bank.

In the interests of security, petty cash payments will be limited to £30. Higher value payments should be made by BACS or cheque directly from the main bank account as a cash book payment.

All purchases made through petty cash, regardless of size, should be pre-authorised.

All payments made must be supported by VAT receipts for the goods purchased, along with an appropriate voucher signed by the member of staff receiving the cash.

The relevant member of staff is responsible for entering all transactions into the petty cash book and the accounting system on a weekly basis.

The School Business Manager is responsible for reconciling the petty cash account each month. The reconciliation will involve matching cash in hand, plus the value of receipts and vouchers received for claims made against the imprest value.

Petty cash count must be undertaken at each month end and a petty cash count sheet completed and signed by two members of staff must be sent to the CFO as evidence.

Unannounced cash counts should be undertaken by the CFO once a term to ensure that the cash balance reconciles to supporting documentation.

Petty cash should be held in a locking cash box in the school office and put in either a locked cupboard or safe overnight.

# Financial Regulations

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## Lease Agreements

The Trust may only take out operating leases and must not enter into a finance lease agreement without the approval of the ESFA. An operating lease means entering into an agreement to rent equipment whereas a finance lease is equivalent to committing the trust to a loan, for which permission from the ESFA is required.

The Trust will consider the following when taking out/renewing lease agreements:

- Independent procurement advice on leases, i.e. DfE advice in the Academies Procurement Resource – Buying for Your Trust
- Schemes that include ‘cashback’ or ‘free’ or subsidised equipment/goods should be avoided.
- Leasing agreements will only be made where the financial arrangements are such that they benefit the Trust and the Finance Committee have given their approval.
- **For leases above £10,000 over the term of the lease, approval must come from the Full Local Governing Body before any lease is signed.**
- Once approval has been given, lease agreements should be signed by the Headteacher on behalf of the Governors.
- The Headteacher will be responsible for ensuring that all leasing agreements are kept under review and that appropriate arrangements are made for renewals. Some agreements will require the trust to give notice of termination even though an expiry date has been specified (always check the small print).

Any lease entered into must meet the following criteria:

- Ownership of the asset must remain with the leasing company and there is no option for the Trust to purchase the asset at any time;
- Any extension of the lease must be at open market values;
- The Trust will not benefit from any sale proceeds of the asset;
- The termination value of the lease is equal to or exceeds 10% of the value of the asset at the commencement of the lease.

## 9. Competitive Tendering

### Introduction to Tendering

Approval of contracts over £50,000 will only be made following the trust’s competitive tendering procedure. If the trust is undertaking a high-value or EU-qualifying purchase an Invitation to Tender must be issued as part of the process. An Invitation to Tender (ITT) is a pack of documents sent out to potential suppliers inviting them to submit a bid.

For more specialist or complex works and purchases, the trust may choose to appoint a professional third party to carry out the tender process on their behalf (i.e. procurement consultant, architect). If a third party is used, it is expected to apply these regulations with the same rigour and ensure that the principles of the Office of Government Commerce (OGC) Procurement Policy and Standards Framework are adhered to.

Contracts for supplies and services where the value equals or exceeds £189,330 and for works where the values equals or exceeds . £4,733,252,413) are subject to further requirements as per the Public Contracts Regulations 2006. Such contracts require advertisement in the Official Journal of the European Union (OJEU). This is the publication in which all tenders from the public sector which are valued above a certain financial threshold according to EU legislation must be published. These thresholds are net of VAT. Further advice may be found in the following websites:

[www.education.gov.uk/schools/adminandfinance/procurement/b0069810/buying-basics/purchasing/ojeu](http://www.education.gov.uk/schools/adminandfinance/procurement/b0069810/buying-basics/purchasing/ojeu)  
[www.ojec.com/Default.aspx](http://www.ojec.com/Default.aspx)

### Forms of Tenders

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

- **Open Tender:** This is where all potential suppliers are invited to tender. The budget holder must discuss and agree with the CFO how best to advertise for suppliers e.g. general press, trade journals or to identify all potential suppliers and contact directly if practical. This is the preferred method of tendering, as it is most conducive to competition and the propriety of public funds.

# Financial Regulations

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- **Restricted Tender:** This is where suppliers are specifically invited to tender. Restricted tenders are appropriate where:
  - there is a need to maintain a balance between the contract value and administrative costs,
  - a large number of suppliers would come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the trust 's requirements,
  - the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.
- **Negotiated Tender:** The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances:
  - the above methods have resulted in either no or unacceptable tenders,
  - only one or very few suppliers are available,
  - extreme urgency exists,
  - additional deliveries by the existing supplier are justified.

## Preparation for Tender

Full consideration should be given to:

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

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

## Invitation to Tender

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

An invitation to tender should include the following:

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

## Aspects to Consider

### *Financial*

- Like should be compared with like and if a lower price means a reduced service or lower quality this must be borne in mind when reaching a decision.
- Care should be taken to ensure that the tender price is the total price and that there are no hidden or extra costs.
- Is there scope for negotiation?

### *Technical/Suitability*

- Qualifications of the contractor
- Relevant experience of the contractor
- Descriptions of technical and service facilities
- Certificates of quality/conformity with standards
- Quality control procedures
- Details of previous sales and references from past customers.

# Financial Regulations

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## *Other Considerations*

- Pre sales demonstrations
- After sales service
- Financial status of supplier. Suppliers in financial difficulty may have problems completing contracts and in the provision of after sales service. It may be appropriate to have an accountant or similarly qualified person examine audited accounts etc.

## **Tender Acceptance Procedures**

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

## **Tender Opening Procedures**

All tenders submitted should be opened at the same time and the tender details should be recorded. Two persons should be present for the opening of tenders, usually the CFO and the Headteacher. In case of unavailability of one or both of them, the Business Manager and one of the Assistant Heads may open the tenders.

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

## **Tendering Evaluation Procedures**

In order to achieve fair evaluation and best value, a minimum of 3 valid tenders should be obtained to conclude the tendering process. In any consideration of less than that number being received, the Local Governing Body should consider whether this is sufficient and consider re tendering. Decisions to go ahead should be fully documented

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

Those involved in making a decision must take care not to accept gifts or hospitality from potential suppliers that could compromise or be seen to compromise their independence.

Full records should be kept of all criteria used for evaluation and for contracts over £50,000 a report should be prepared for the FAR highlighting the relevant issues and recommending a decision. For contracts under £50,000 the decision and criteria should be reported to the Local Finance & Premises Committee.

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

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

Where a tender other than the lowest has been accepted, the reasons for its acceptance must be documented and reported to the Governing Body/FAR. All decisions made must be justified and recorded as such in the minutes of that meeting for future reference.

A copy of the tender documentation should be held on site for easy reference as required.

Acceptance of any tender will be confirmed to the contractor in writing and no work shall be started until this has been done.

Any contracts awarded will include a paragraph to the effect that any contractor will be prohibited from transferring or assigning, directly or indirectly, any portion of the contract to any other person or contractor, without the written permission of the Governing Body/FAR.

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## 10. Income

The main sources of income for the trust are the grants from the ESFA and the London Borough of Newham. 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 and reconciled to the accounting records.

The trust also obtains income from:

- parents, mainly for educational visits and extended school provisions (HSDN, breakfast club, after school clubs, 6 o'clock club, FT nursery etc)
- HMRC – VAT reimbursements
- Other public bodies – (insurance claims, student grants, polling station fee)
- the public, mainly for sports/hall lettings (karate club), site manager's rent (St Helen's)
- Other local schools – sale of services (mentoring, course fees etc), recharge for cost incurred re partnership projects (FOV)
- Bank interest

### Grants received and other non-cash/cheque income

The Business Manager/Office Manager is responsible for entering the grant income onto the trust's accounting system based on the remittance advices received from the grant giving body (primarily ESFA and London Borough of Newham). Where income received in the bank without remittance advice, the Business Manager/Office Manager will request supporting documentation from the relevant body.

The Business Manager/Office Manager is responsible for entering all other income received in the bank (i.e. bank interest, sales income, Site Manager's rent, and fees for courses) onto the trust's accounting system ensuring the appropriate supporting documentation is maintained.

No debts should be written off without reasonable attempts made to recover it. Refer to debt write off limits on page 3. **Cash and cheques received in the school**

The Business Manager/Office Manager is responsible for entering all the income received in the school onto the trust's accounting system weekly. This should be based on the completed record sheet (where applicable) prepared by the Admin Assistant of the amount received, the name of the person/organisation making the payment, the date the payment is received, and the method, i.e. cash or cheque.

The income received in the school will be banked using a paying in books and the transaction should be recorded to the paying in control account in PS Financials, which will be reconciled monthly by the external management accountants.

All income received by the trust should be banked *in full* at least fortnightly (schools use secure collection by G4S) or earlier depending on the amount. The insurance policy cover for cash and cheques held on site must not be exceeded. However, if a high level of income is expected e.g. proceeds for residential or visit abroad, the insurer must be informed to obtain additional short term cover, and the income must then be banked as soon as is practicable.

Personal cheques should not be cashed.

When income is banked the record sheet must be totalled in value in order to provide a clear cross reference to the value entered on the bank paying in slip. The bank paying in slip number should then be entered onto the record sheet to assist in providing a clear and simple audit trail.

When banking money received (either cash or cheques) the bank paying in slips will be completed in full, clearly showing the split between cash and cheques, and each cheque will be listed separately.

Income received by the trust in relation to extended school provision (breakfast club, 6 o'clock club, FT nursery, course fees) or residential educational visits will be acknowledged to the payer by issue of a receipt. Copies of receipts issued should be retained for future reference, e.g. to resolve a dispute over payment.

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## **Custody**

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 Office safe prior to banking. Banking should take place fortnightly or more frequently if the sums collected exceed the insurance limit on the Finance Office safe/cash-box.

Monies collected must be banked in their entirety in the appropriate bank account. The Business Manager/Office Manager is responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system.

## **SchoolMoney / Parentpay / Payplus (online cash collection system)**

The schools within the Trust use various online payment systems enabling parents to pay for services (clubs), uniform and educational visits via an automated portal. It also enables staff to pay for meals.

The aim of the system is to make it easier for parents to pay for services, reduce cash handling in the school offices and utilised office staff time more efficiently.

The Admin Officer or Finance Officer set up the “items to pay for” for each pupil (e.g. breakfast club, visits). The parents can log onto the system using their unique log in names/password and select the items to pay for with their bank cards.

A daily report is then obtained by the Business Manager/Office Manager from the SchoolMoney/Parentpay/Payplus system detailing the individual items paid and amount paid by pupil, which is then reconciled to the relevant school’s bank statement and then posted in PS Financials. The report is then filed as a backup for income received.

Reports showing the outstanding balances owed by each pupil (parent) can be obtained from the system enabling the Admin Officer to contact relevant parents if needed but also assist in the monthly monitoring by the Admin Officer.

Any outstanding balances over £100 per parent/staff must be reported to the Headteacher on a monthly basis to ensure that unpaid debts are not accumulating without corrective action taken.

## **Curriculum Visits/Educational Visits**

A member of the office staff, as detailed in the financial duties chart for each school, will prepare a record sheet/set up the visit on the SchoolMoney/Parentpay/Payplus system for each student intending to go on the curriculum/educational visit showing the amount due. Note: all parental contributions for subject visits are voluntary; therefore no debtor balance occurs in case of non-payment by a student.

The parents are encouraged to pay online (see section above), use of cash is only accepted in exceptional circumstances. The Admin Assistant/Office Manager is responsible for recording the monies collected on the record sheet/online payment system against the student making the payment. No receipts are issued for curriculum visits.

The Admin Assistant 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 class teacher on a weekly basis if relevant.

The income received via SchoolMoney/Parentpay/Payplus will be recorded in PS Financial as described in the section above.

## **Residential Visits and Extended School Income**

The income for residential trips are administered and collected by the Admin Assistant in the same way as described above using the school’s online payment system.

Students/parents should make payment online, use of cash is only accepted in exceptional circumstances., Official trust receipt will be issued for all payments. In case of non-payment for international or residential visits, the Admin Assistant/Office Manager will contact the parents to collect the contribution.

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The income received will be banked and recorded on the trust 's accounting system as described above in sections Cash and Cheques received in the school/SchoolMoney.

There are separate cost centres (accounts) set up in PS Financials for each residential/annual visits and extended school provision to record all income and expenditure incurred. Annual trading accounts will be prepared by the CFO to enable the assessment and monitoring the trust's financial contribution to all residential trips/extended school provision.

Heaven Sent Day Nursery (St Francis') will investigate the possibility of invoicing parents termly in advance for the Heaven Sent Nursery places during 2020/21 financial year.

## Lettings

The trust's premises are the responsibility of the Board of Trustees, who delegated authority to the school's Local Governing Bodies to permit organisations or individuals use of any part of the premises. All lettings should comply with the school's Lettings and Charging Policy.

The Business Manager/Office Manager is responsible for maintaining records of bookings of facilities and for identifying the sums due from each organisation. Payments must be made in advance for the use of facilities wherever possible.

The Business Manager/Office Manager will establish a sales ledger account for each organisation and produce a sales invoice from the accounting system.

Organisations using the facilities should be instructed to send all payments to the Finance Office. Payments by BACS should be encouraged whenever possible.

The external management accountants will review the Sales ledger report (aged debtors) each month end to identify any long outstanding debtor balances. The Business Manager/Office Manager will chase outstanding debts and ensure that no facilities are used by the relevant debtor unless payment has been received by the school.

In the absence of specific terms agreed with the hirer (usually payment in advance, payment terms will be 28 days from date of hire. If payment has not been received by the due date, the following will apply:

- |  |  |
|--|--|
| (a) 28 days after date of hire           | <b>First reminder letter</b> to be issued. At this point all future hire dates will be suspended pending payment in full.                              |
| (b) 14 days after first reminder letter  | <b>Second reminder letter</b> to be issued advising the hirer that non-payment could result in referral to the trust 's legal services provider.       |
| (c) 14 days after second reminder letter | Issue <b>report to the Local Governing Body</b> for advice on how to proceed (e.g. referral to trust 's legal services provider for recovery of debt). |

If, having taken legal advice, it is determined that the debt is not recoverable it will need to be 'written off' following the appropriate authorisation process.

No debts should be written off without authorisations. Delegation of authority of authorise write offs are detailed on page 3 of this manual.

# Financial Regulations

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## 11. Cash Management, Banking and Investments

### Bank Accounts

The opening of all accounts must be authorised by the governing body who must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. The operation of systems such as Bankers Automatic Clearing System (BACS) and other means of electronic transfer of funds (i.e. Direct Debits and Standing Orders) must also be subject to the same level of control.

The trust's bank accounts are held at Lloyds Bank's managed by their Academies Team.

The trust uses on-line banking via Lloyds Commercial Banking to monitor the bank balances and obtain bank statements whenever required. Access to Lloyd Commercial Banking is restricted to the Headteachers, CFO and the Business Manager/Office Manager and secondary payment signatories (Deputy and Assistant Head teachers)

Further details are included on the schools' Bank Mandate.

### Borrowing

The bank has been instructed not to allow any bank account operated by the trust to become overdrawn. In line with the Academies Financial Handbook, approval must be obtained from ESFA for any borrowing including overdraft facilities.

### Deposits

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

- the amount of the deposit and
- a reference, such as the number of the receipt or the name of the debtor.

Detailed procedure for depositing cash and cheques are detailed under the Income section above.

### Payments and withdrawals

All cheques and other instruments authorising withdrawal from school bank accounts must bear the signatures of two of the following authorised signatories:

- Headteacher;
- Deputy Headteacher;
- Assistant Headteacher;
- Business Manager

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

Transfers between the trust's bank accounts if more than one bank account, should have a suitable narration to facilitate audit trail, especially where on line banking facilities are used.

Internal transfers between bank accounts are initiated by the CFO and primarily used for:

- Distributing VAT refund received from HMRC (based on monthly VAT return)
- Paying internal recharges when one school pays for services on behalf of another (based on signed Internal Recharge form)
- Payment of trust partnership contribution

A copy of the internal transfers are available from Lloyd Commercial Banking portal.

# Financial Regulations

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## Bank reconciliations

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:

- all bank accounts are reconciled to the trust's cash book;
- reconciliations are prepared by the external management accountants (or CFO and
- adjustments arising are dealt with promptly.

The month-end reconciliations must be signed by the CFO and the Chief Accounting Officer and filed in the reconciliations file.

## Petty Cash Accounts

Petty cash is recorded on PS Financials from the petty cash vouchers. The Admin Officers are responsible for the payment of expense vouchers.

The Finance/Admin Officer is responsible for checking and confirming the reconciliation of the cash float.

Procedures relating to petty cash are as follows:

- Cheques drawn to replenish the petty cash float (maximum up to £500) are subject to normal cheque signing procedures.
- Payments from petty cash are only made on production of a till receipt or other certification that payment has been made and claims cannot exceed £30 in value (Motor expenses cannot exceed £50) unless agreed by the Headteacher. Vouchers are subject to the same authorisation procedures as purchase order requisitions.
- The Admin Officer signs the payment voucher when cash payments are issued and the staff member receiving the cash payment must also sign the payment voucher confirming receipt of the cash.
- The petty cash float, which should not exceed £500, is kept in either the safe or a lockable cash-tin/cupboard when not in use.
- The petty cash float is reconciled monthly to ensure all cash is accounted for.
- No personal cheques are cashed through petty cash; and
- The petty cash float is only reimbursed by a cheque from the school's bank account.

In addition to the CFO's termly checks, the trust's Internal Auditors will carry out checks annually to ensure all the school's petty cash procedures have been followed and will agree the cash float to the records.

## Cash Flow Forecasts

The CFO is responsible for preparing regular cash flow forecasts (at least termly or earlier if significant dip in cash balances identified via the monthly bank reconciliations) 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 to transfer funds from another bank account or to adjust budget categories to cover potential cash shortages.

If significant cash shortfalls have been identified and are expected, this should be promptly investigated, and the Chair of FAR and Local Finance Committee advised, ensuring all income due for the period has been received and that expenditure is not irregular. The investigation and its results should be reported to the FAR and Local Finance & Premises Committee. If fraud is suspected, the trust's Whistleblowing policy should be followed, including notifying the Education Skills and Funding Agency if the fraud is significant.

## Investments

Governors will wish to maximise income as far as possible and, where appropriate, a high interest or deposit account may be maintained, in addition to the normal current accounts. Surplus balances may be, as far as possible, be transferred to a high interest or deposit account.

Investments must be made only in accordance with written procedures approved by the board of trustees.

# Financial Regulations

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All investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated, with the minimum recorded being the date of purchase, the cost and a description of the investment.

The CFO is responsible for ensuring that all income receivable from the investment is received and recorded on the trust's accounting system.

## 12. Fixed assets

Fixed assets are assets purchased by the trust, which have a useful economic life of more than one year and their value equals or exceeds the approved capitalisation limit of £2,000. This includes individual asset items over the capitalisation threshold as well as closely related group of IT assets (e.g. a trolley of laptops).

Fixed assets are categorised as:

- Land
- Buildings
- Equipment (fixtures and fittings)
- IT equipment (software and hardware)
- Motor Vehicles

Fixed assets are depreciated over their useful economic life in line with the trust's accounting policies and the depreciation is recorded in the accounting records by the CFO monthly.

### Fixed Asset register

Maintenance of the trust's fixed asset register is the responsibility of the CFO. It is the policy of the trust to enter individual items purchased with a value over the trust's capitalisation limit of £2,000 onto the fixed asset register. Other attractive portable items below the limit (£250 +) can also be included to assist with potential insurance claims.

The Asset Register is not only used for accounting purposes but it also helps to:

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

The asset register should include the following information:

- asset description
- asset number (a trust wide identification system has yet to be implemented)
- serial number (where possible, all assets on the register should be marked with their serial number where possible)
- date of acquisition
- asset cost (net of VAT)
- source of funding (% of original cost funded from ESFA grant or other sources)
- expected useful economic life (in line with accounting policy)
- depreciation rate
- current book value
- location
- name of member of staff responsible for the asset

All the items in the register should be permanently marked as the trust's property. If the trust chooses to use an invisible form of marking then the item of equipment must carry a visible reference to the fact that the equipment has been security marked. Items not security marked are potentially not covered by insurance.

The fixed assets on the register should be counted (physical verification) by the Business Manager/Office Manager once every year at the end of the summer term. Discrepancies between the physical count and the register should be reported to the CFO and investigated promptly and, where significant, reported to the Local Governing Body.

# Financial Regulations

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## Asset Inventory

In addition to the fixed asset register, the Business Manager/Office Manager will maintain an asset inventory of all assets (including those below the capitalisation limit) held by the schools. The inventory records will be maintained listing the assets room by room for ease of administration.

At the beginning of the each academic year, the Business Manager/Office Manager will send an asset listing to each class teacher/relevant staff for their relevant class room/resources rooms. Each class teacher/relevant staff is required to check the existence, completeness and condition of the assets under their control and report differences, if any. Discrepancies are followed up with the class teacher by the Business Manager/Office Manager. Any significant losses must be reported to the Local Governing Body.

The class teacher/relevant staff should sign the asset inventory of his/her room(s) evidencing their responsibility for the listed assets for the academic year. This procedure must be completed by the autumn half-term.

All assets used by but not belonging to the trust or removed from the trust site should be recorded in a separate register.

## Security of assets

Stores and equipment must be secured by means of physical security devices. Only authorised staff may access the stores. Any theft of assets above the sum of £5,000 (individually or cumulatively) should be notified to the FAR and also to the ESFA/secretary of state.

## Disposals

Items which are to be disposed of by sale or destruction must be authorised for disposal by the Headteacher up to £1,000, up to £10,000 by the Local Finance and Premises Committee, between £10,001 to £19,999 by the full Local Governing Body and over £20,000 by FAR.. Where significant, the items should be sold following competitive tender.

The trust must seek the approval of the ESFA in writing if it proposes to dispose of an asset or assets for which a 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 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.

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.

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

## Loan of Assets

Items of trust property must not be removed from trust premises without the authority of the Headteacher. A record of the loan must be recorded in a loan book and booked back in when it is returned.

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.

## Leases

No assets should be acquired by way of a finance lease without the permission of the ESFA/Secretary of State,

# Financial Regulations

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## 13. Insurance

The Board of Trustees must ensure that the trust has adequate insurance cover to support its activities and to comply with statutory requirements.

The adequacy of insurance is reviewed annually by the board of trustees and tenders are obtained every three years (if required). In general, all schools in the trust are using the DfE's Risk Protection Arrangement scheme (RPA). Cover will, to a minimum level; comply with the values listed in the Academies Financial Handbook.

Details of all insurance policies held by the school are kept in the school's finance office under the control of the Business Manager/Office Manager.

The insurers are to be notified of all new insurable risks such as public liability, staff, property, equipment and all other relevant areas which require insurance or any other alteration affecting existing insurance on a timely basis.

The trust will not give any indemnity to a third party without the written consent of their insurers.

The trust immediately informs its insurers of all accidents, losses and other incidents which may give rise to an insurance claim. Claims under an insurance policy are authorised by the Accounting Officer prior to submission to the insurance company.

The schools in the trust are currently members of the DfE's Risk Protection Arrangement (RPA), which covers:

- Employer's liability
- Third party public liability
- Professional indemnity
- Property damage
- Overseas travel

The RPA does not cover:

- Motor vehicles and occasional business use
- Engineering damage insurance & inspection services
- Works of art

The trust obtains appropriate additional insurance cover for the above listed activities as and when required (e.g. for minibuses).

## 14. Governor Allowances

The policy of the governors in respect of payment of allowances must be openly available to parents and governors. The Board of Trustees must consider the payment of allowances annually, and the outcome must be recorded appropriately in the minutes.

The Education (Governors' Allowances) Regulations 2003 provide the legal framework for governing bodies to pay 'out of pocket' expenses to their governors. The then DCSFnow DfE) guidance which accompanied those regulations states, "It is good practice to pay such allowances as governors should not be out of pocket for the valuable work they do".

Legitimate allowances may include travel allowances to Governing Body, Committee meetings or training courses, cost of child-care while attending meetings or training.

Authorisation of governors' expenses will be by the Chair of the Governing Body. Claims by the Chair of the Governing Body will be authorised by **both** the Vice Chair of the Governing Body and the Chief Accounting Officer.

At present, the trust's policy is not to pay any governor allowances directly to governors.

# Financial Regulations

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## 15. Internal Controls

The Academies Handbook states that the trust **must** establish a control framework that recognises public expectations about governance, standards and openness.

The trust's internal control framework **must** include:

- co-ordinating the planning and budgeting processes
- applying discipline in financial management, including managing banking, debt and cash flow, with appropriate segregation of duties
- preparation of monthly budget monitoring reports
- ensuring that delegated financial authorities are respected
- effective planning and oversight of any capital projects
- the management and oversight of assets
- the propriety and regularity of financial transactions
- reducing the risk of [fraud and theft](#)
- ensuring efficiency and [value for money](#) in the organisation's activities
- a process for independent checking of financial controls, systems, transactions and risks

The trust's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability.

In particular, it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Governing Body;
- regular reviews by the Local Finance Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes
- setting targets to measure financial and other performance
- clearly defined purchasing (asset purchase or capital investment) guidelines
- delegation of authority and segregation of duties
- identification and management of risks

Additionally, in line with the Academies Financial Handbook, the Trust undertakes an annual internal scrutiny of an area identified by Trustees. Internal scrutiny reports are presented to the FAR committee.

In line with the ESFA's new requirement, an annual Internal Scrutiny report will be submitted to the ESFA together with the trust's annual accounts.

## Separation of Duties

It is the responsibility of the CFO to ensure that key financial duties are properly separated between individuals.

Functions to be separated between staff will include:

- **Execution:** the placing of an order and receipt of goods and services, and the charging/receipt of a fee
- **Authorisation:** the authorisation of transaction such as a purchase order and the payment
- **Payment :** the raising of cheques / BACS and cheque / BACS signatories
- **Custody:** the holding of goods and services
- **Recording:** the completion of the accounting records
- **Post transaction management checking:** reviewing previous transactions to identify errors or intentional manipulation

## Whistleblowing

The Trust has appropriate procedures in place for whistleblowing, including making sure all staff are aware to whom they can report their concerns, and the way in which such concerns will be managed.

Refer to the Trust's Whistleblowing policy for details.

# Financial Regulations

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## **Risk management**

The trust should make a considered choice about its desired risk profile, taking account of its legal obligations, business objectives and public expectations. The trust must recognise and manage present and future risks to ensure its effective and continued operation.

The Trust should maintain a risk register, which should be reviewed regularly by the board of Trustees / FAR.

The Trust's management of risks must include contingency and business continuity planning.

Refer to the trust's Risk Management and Contingency and Business Continuity Planning Policies for further details.

## **Links to other policies/documents**

Conflict of Interest

Not for Profit Policy

Safeguarding Policy

Discipline/Grievance/Capability

Reserves

Gifts and Hospitality

Whistleblowing Policy

Safer Recruiting

IT strategy

Investment

Risk Management & Risk Map

Business Continuity

Confidentiality

Anti-fraud policy

Accounting

# Financial Regulations

Annex 1

## Terms of Reference for the Audit & Risk Committee

### FINANCE

1. To ensure that the Trust Board is kept informed of all major financial issues concerning the Trust and its Academies, the overall Trust budget and those of the individual Academies, the management of funds against the budget, the benchmarking of financial performance and the heads of expenditure, the way funds are utilised (including value for money) and the way monies are secured.
2. To receive proposals from the LGB Committees for budget recommendations, and to recommend the annual budget for the Trust and the Academies to the Trust Board for approval.
3. To receive reports from the Chief Accounting Officer and Chief Finance Officer regarding the Trust's/Academies' finances. This will include reports on the monitoring of income against expenditure and proposals to revise forecasts for the year. The committee will work with the CAO and CFO to make any recommendations to the Trust Board.
4. To monitor the production, timeliness and accuracy of key financial statements in response to both statutory and local requirements.
5. To support (recommending and advising) the Trust Board in developing and then implementing a reserves policy and to consider the impact of strain in individual Academy budgets.
6. To support (recommending and advising) the Trust Board in developing and then implementing the Financial Regulations Manual and associated procurement policy.
7. To review tenders for major contracts as specified in the Financial Regulations Manual. To approve or reject tender proposals or, where required, make recommendations to the Trust Board.
8. To recommend any changes in the Financial Regulations Manual, where significant, to the Trust Board. To review the operations of the Trust and the Academies in relation to the procedures shown in the Financial Regulations Manual. To work with the Principals to resolve breaches and to improve procedures as appropriate.
9. To support the Audit Committee in monitoring key financial and accounting systems and reviewing any audits of these or the general finances of the Trust and make recommendations to the Trust Board and/or the Local Governing Committees as appropriate.

### AUDIT

1. Advise and report to the Trustees in relation any organisational risks which might impede the development and implementation of a long term strategy for the success of the Trust. The Trustees shall consider any such advice given by the Audit Committee.
2. Support the Trustees in developing an organisational structure which reflects the Trust's values and enables the management systems, structures and processes to work effectively in line with legal requirements and to ensure sound financial management.
3. Support the Trustees in the formulation of financial and risk management policies for the Trust and the Academies for achieving the aims and objectives set out in the Trust's Development Plan or long term strategic vision.
4. Advise the Trustees on the adequacy and effectiveness of the Trust's systems of internal control and its arrangements for risk management, control and governance processes and securing economy, efficiency and effectiveness (value for money).

# Financial Regulations

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5. Regularly review the statement on internal control and make appropriate recommendation to the Trustees and when appropriate communicate messages and advice to the Local Governing Committee, liaising as necessary with any responsible officer appointed by the Local Governing Committee to be responsible for financial oversight and risk management of the Academy's activities.
6. Support (and challenge when necessary) the Trustees and in particular the Chief Accounting Officer" to ensure he or she satisfies his or her duty as accounting officer to:
  - Ensuring value for money;
  - Ensuring regularity and propriety;
  - Ensuring prudent and economical administration;
  - Avoiding waste and extravagance;
  - Ensuring the efficient and effective use of resources;
  - Keeping proper accounts;
7. Establish and implement a system of financial and risk reporting by the Academies to the Trustees and to oversee that reporting to ensure that such a system complies with the Trust's legal obligations.
8. Review any financial and risk report submitted by the Academies and advising the Trustees on any issues arising from it as well as making recommendations for future reports to sustain the integrity of the financial and risk management systems.
9. Advise on the formulation and implementation of a policy for the approval and signing of contracts, ensuring all contracts to be entered into by the Academy are appropriate, have been authorised (or are within delegated authority) and do not expose the Academy to undue risk.
10. Advise the Trustees on the appointment, reappointment, dismissal and remuneration of auditors (both external auditors and internal audit).
11. Monitor the effectiveness of auditors, including the use of auditor performance indicators.
12. Ensure effective coordination between auditors ensuring that a consistent method of audit is adopted across all Academies.
13. Ensure that additional services undertaken by auditors are compatible with the audit independence and objectivity.
14. Agree the work programme of internal audit including the checking of financial controls, systems, transactions and risks.
15. Consider the reports of the auditors and, when appropriate, advise the Trustees and the Academies of material control issues. Monitor the implementation of agreed audit recommendations.
16. Monitor the implementation of agreed audit recommendations
17. Advise on policies for the securing of the funds and assets of the Trust including by the prevention of loss through fraud and irregularity.
18. Ensure that all allegations of fraud and irregularity are appropriately investigated and control weaknesses addressed, working with the Trustees and the Principals of the Academies, as appropriate.
19. Recommend the annual financial statements to the Trustees for approval.

Approved: 7<sup>th</sup> October 2020

## **Terms of Reference of the Local Finance & Premises Committee**

### **Purpose**

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

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

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

### **Terms of Reference**

Subject to the requirements of relevant legislation, the committee is authorised:

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

# Financial Regulations

Annex3

## Protocol for Capital Projects approval and expenditure monitoring.

1. Annual budget for Capital Projects should be agreed by Local Finance and Premises Committee in February/March each year for next financial year.
2. Proposed Capital Income available for next financial year plus any Capital monies not spent in current year should be provided to the Committee by the CFO or Headteacher with a list of Projects and timescales involved.
3. The Local Finance & Premises Committee approves the agreed and prioritised projects for the next financial year.
4. If in the judgement of the Finance & Premises Committee there are not sufficient funds to carry out all the projects then the Committee will advise of what is available and provide a direction on which projects can go ahead. It may be that there is a collective view by Governors and Leadership team where monies are tight or there are uncertainties with future income that some projects are priorities to go ahead and others will be put on hold.
5. To achieve the above and so the school can monitor the progress during the year the Premises and Finance Committees will be provided with termly reports showing the progress / completion and final spending on each project.
6. It may be appropriate that the school would not allocate all the Capital monies available to specific projects and hold back a contingency amount for other work such as repairs or other important new projects which may occur during the financial year.
7. For projects listed and agreed in the annual budget the school will not be expected to seek further governor approval other than complying with the current standing orders for quotations and tendering. The Finance & Premises Committee is expected to vet quotations and tenders for projects above £5,000 which is the limit set in the Financial Procedures Manual school's financial standing orders. This should be done via its committee meetings but also governors would be entitled to choose any of these projects for more detailed scrutiny.
8. The school must seek governor approval for any capital project spending out of contingency funds well in advance for new projects to be approved before work is carried out. A protocol for this will need to be determined, as in the case of urgent repairs a phone call to a senior Governor may suffice to gain approval.
9. Condition Improvement Projects (CIF) must be approved by the Chief Accounting Officer and reported to the FAR committee in line with the CIF timetable published annually.