

LT2 Name of Policy

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1. Schedule of Responsibilities

The purpose of this policy is to ensure that the Trust maintains and develops systems of financial control, which conform with the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of our funding agreement with the Secretary of State for Education, through the Education Funding Agency (ESFA).

The academy trust must comply with the principles of financial control outlined in the current Academies Financial Handbook. This policy expands on that and provides detailed information on the academy's accounting procedures and system, and should be read by all staff involved with financial systems.

This policy serves as an adjunct to the scheme of delegation providing information on the day-to-day operations and practicalities forming from this financial regulation manual.

2. Role and Responsibilities

2.1 Board

The Trust Board has legal responsibilities for all The Trust's academies. It is their duty to ensure that each academy operates effectively, legally, judiciously and safely.

The Board has the overall responsibility for strategic direction and performance of Learning Today Leading Tomorrow. It has responsibility for agreeing Trust financial and governance policies and approving delegation of authority to the Trust's employees. It will retain specific authority for approving certain expenditure. The delegations of authority are expressed through the scheme of delegation which can be found at <https://learningleading.org/scheme-of-delegation/>.

2.2 Chief Executive Officer (CEO)

The Chief Executive is the Accounting Officer for The Trust and as such has the overall responsibility for the Trust's financial management and is specifically required to ensure that the Trust is compliant with the "Governing" documents. These include:

- The Articles of Association
- Funding agreements
- The Academies Financial Handbook

The accounting officer must sign a statement, which is included in the annual accounts, to state that the Trust has complied with all the regulations included within these documents.

2.3 Chief Financial Officer (CFO)

The CFO will report to the CEO and manage the finances of the whole Trust. Specific roles of the CFO, supported by the Finance Team include:

- Preparation of statutory accounts
- To advise the executive and board on strategies that address the changes in academy funding
- Ensuring that the requirements of all statutory and regulatory bodies including the Charities Commission, DfE, ESFA and HMRC are met
- Advise on the financial impact of proposed changes and developments of the Trust
- Report to the CEO and Board on the impact of regulatory changes and developments in funding
- Lead and develop the group finance function
- Responsibility to the CEO and Board for financial governance and assessment of financial risk
- Providing regular and relevant management reports to the Executive Team and the Board
- To ensure that procurement procedures are in place that ensure that the Trust remains compliant with public procurement regulations and provide the Trust with best value for money
- Managing individual school finance functions through the School Business Managers and Finance Officers
- Budget setting and monitoring of the central budget
- Reviewing of monthly management accounts
- Reporting to the Trust Audit Committee on financial performance
- Preparation of benchmarking data
- Implementation of internal and external audit recommendations
- Accounting systems and process development

2.4 Headteacher

Day-to-day management of the finances of individual academies is delegated to the headteacher, although most actions are likely to be carried out by the School Business Manager or Finance Officer. The responsibilities of the headteacher include:

- Agreeing a school budget consistent with the school improvement plan with the CEO and CFO for approval by trustees
- Operating the school within the agreed budget, notifying the CEO and CFO at an early stage of issues likely to impact the school's ability to remain within the agreed budget
- Setting expenditure limits for members of staff authorised to place orders
- Cash flow management of the school bank account
- Local school procurement in line with the Trust's procurement policy

- Assisting with central procurement
- Working with the auditors for both the internal audit and external reviews
- To ensure that best value is obtained for purchases
- Maintaining the school's financial system
- Raising purchase orders, checking and processing of invoices
- Raising sales invoices and credit notes
- Processing credit cards and expenses obtaining necessary approvals
- Processing bank transactions and bank reconciliations
- Processing BACS run with required signatory approval

2.5 Other Staff

Other staff within the trust are required to familiarise themselves with this policy where they have any financial administration responsibilities. All trust staff must:

- Manage any budget delegated to them responsibly and after due consultation with relevant staff
- Conduct all financial transactions relating to the trust in accordance with trust policies, including where claiming personal expenses
- Ensure that all relevant documents are promptly passed on to finance staff for processing

3. Register of Interests

Trustees and employees of the Trust must comply with the 7 principles of public life ([link](#)) in all their actions, including financial transactions. Trustees and staff who can influence financial decisions or have spending powers are required to declare any financial interests they have in companies or individuals from whom the Trust may purchase goods or services.

Declarations 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 by that person. It is also important to identify any connected parties and or related parties with any other charity, company or organisation with which it operates in the pursuit of charitable activities.

The existence of a register of business interests does not detract from the duties of members, trustees and staff to declare interests whenever they are relevant to matters being discussed. Where there is uncertainty as to whether an interest should be disclosed, trustees and employees should seek advice prior to any decision being taken.

4. Internal Scrutiny

The Academies Financial Handbook sets out the requirements for internal scrutiny that apply to academy trusts. The Audit Committee directs internal scrutiny on behalf of the trust board, and obtains independent assurance that internal controls and risk management procedures are operating effectively. The terms of reference for the audit committee 2019/20 can be found at [here](#).

Internal scrutiny is delivered by the Trust's internal auditors, [name of firm]. Trust staff are required to cooperate with the Trust's auditors to support their work, including providing such documents and evidence as may be requested.

5. Financial Planning

The Trust prepares rolling three-year budgets.

5.1 The budget Cycle

The budget cycle is as follows:

- Autumn term (Sept – Dec)
 - Implementation of submitted budget plan
 - Flex-budgeting based on subsequent information such as teachers' pay, school census data and significant changes
 - Monitoring expenditure (continuous-monthly)
 - Reconciliation and closure of previous financial year
- Spring term (Jan – Mar)
 - Monitoring and reviewing of year's budget
 - Revised budget where appropriate including BFRO return
 - Pre-planning new financial year
- Summer term (Apr – Aug)
 - Planning for forthcoming year
 - Preparation and submission of financial budget plan
 - Review of current year's budget
 - Preparation for year end and audit

All requirements of the ESFA, in particular relating to carry forward of unspent funds, will be taken into account in preparing and submitting the budget.

5.2 Budget Preparation

The CFO is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the Audit Committee and Trust Board.

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

The budgetary planning process will incorporate the following elements:

- Forecasts of the likely number of pupils to estimate the amount of General Annual Grant
- Latest estimate of other ESFA funding e.g. pupil premium, Yr7 Catch-Up or other specific funds
- Review of other income sources available to the Trust to assess likely level of receipts
- Review of past performance against budgets to promote an understanding of costs
- Identification of potential efficiency savings
- 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
- Carry forward balances
- Any unspent grants from the previous financial year

Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where cuts can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and expenditure are in balance. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need in accordance with the Development Plan.

The approved budget is then entered onto the finance system at the start of the new financial year. Monitoring and analysis of the agreed budget should be carried out on a monthly basis by the Accounting Officer and CFO and reports forwarded to the Trust Board. Where significant variations to the agreed budget are identified or where a number of substantial virements have been approved and/or where significant staff changes have occurred in-year, then a revised budget should be prepared and approved by the Trust Board. This revised budget should then form the basis of analysis of all income and expenditure until the financial year end.

5.3 Budget Forecast Return

The approved budget must be submitted to ESFA by 31 July each year by the CFO. The CFO is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.

6. Accounting System

All the financial transactions of the academy trust must be recorded on the PS Financials accounting system. This system is operated by finance staff across the trust and currently hosted at Rugby Free Secondary School.

6.1 Budget Forecast Return

The PS Financials accounting system is protected by access permissions to authorised staff. Access permissions should be strictly controlled and individual user accounts and passwords should not be compromised. Access to PS Financials should be restricted and the CFO is responsible for determining the access levels for all members of staff using the system. All leavers with access to PS Financials must have their access permissions formally removed.

6.2 Back-up Procedures

As the system is hosted at Rugby Free Secondary School, the school ICT manager is responsible for ensuring that there are regular and effective back-up procedures for the system. Disaster recovery plans should include the response in the event of a loss of accounting facilities or financial data.

6.3 Transaction Processing

All transactions input to the accounting system must be authorised in accordance with the procedures specified in this policy. Detailed information on the operation of PS Financials is included in the system user manuals. For journal entries, working papers should be produced and accessibly stored except for simple journals where the system narrative provides sufficient information for subsequent reference.

6.4 Reconciliation

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

- Sales ledger control account
- Purchase ledger control account
- Payroll control accounts

- VAT accounts
- Suspense accounts
- Bank accounts
- Intercompany accounts

6.5 Document Retention

Financial documents must be retained to ensure information is available for future queries and to provide evidence in the case of audit, HMRC or other external reviews of Trust financial information. Where possible, documents should be stored electronically and subject to regular backup. In all cases, information should be stored securely and in line with the Trust's data protection and GDPR policy. Financial records must be retained for the current year plus the preceding six years.

7. Reserves

Any overall surpluses or deficits (reserves) at the end of the year are carried over to the following year.

The CEO as Accounting Officer must inform ESFA immediately if a deficit is anticipated. If the Trust is anticipating a deficit at the end of any financial year, the Trust Board and CEO have a responsibility to ensure action is taken at the earliest opportunity to address this issue. The Trust Board must ensure that a recovery plan is submitted and approved by the ESFA.

The Trust's policy is to maintain minimum operational reserves equal to one month of gross expenditure, and this amount should be available as liquid cash for immediate use if needed. The Trust may also hold additional reserves for capital or earmarked purposes. Balances above the minimum operational reserves may be invested to generate additional income, subject to an assessment of cash flow across the lifetime of the investment. The Trust will set out the requirements relating to investments in a separate investment policy prior to entering into any such arrangements.

8. Cash Management

8.1 Bank Accounts

The opening of all accounts must be authorised by the Trust Board who must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements, BACS and electronic transfers. The Board are to be informed of any account closures, and dormant accounts.

The bank has been informed that the Trust is not allowed to borrow funds and that no account should be allowed to become overdrawn. The Trust will not enter into any loan arrangements without the prior approval of the Secretary of State.

8.2 Physical Cash

Where possible, schools within the Trust should minimise or eliminate the handling of physical cash through digital accounts and payment management systems. Where the handling of physical cash is unavoidable, additional measures must be taken to reduce the risk of fraud and error, including the following:

- Segregation of duties must be maintained at all times, with cash balances counted by one member of staff and then verified by another. Adequate records must be maintained to evidence these checks
- Cash should be kept in a secure safe when left unattended
- Cash should be regularly banked to minimise the amount of cash held on school premises
- The value of cash held in the safe should be counted and checked against financial records on a weekly basis, and any variances investigated

8.3 Deposits

A deposit must be entered on a copy paying-in slip or listed in a supporting book with the following details:

- The amount of the deposit
- A reference (for example the number of the receipt or the name of the debtor)

School finance staff are responsible for updating the accounting system (within 2 working days) for deposits placed.

8.4 Payments and withdrawals

All cheques and other instruments authorising withdrawal from academy bank accounts must bear the signatures of two authorised signatories.

This provision applies to all accounts, public or private, operated by or on behalf of an academy including funds held in trust.

8.5 Bank Signatories

The CFO is responsible for maintaining the list of signatories for bank accounts and payment authorisation, in conjunction with the CEO. Subject to the scheme of delegation, headteachers are able to delegate authority for financial transactions according to the needs and structure of the school. Bank signatories are expected to be members of the school senior leadership or Trust executive leadership team, including the following:

- Headteacher

- Deputy/assistant headteacher
- School business manager

Finance officers and those routinely inputting transactions should not also authorise payments. **Under no circumstances** should staff self-authorise payments, where this is possible within a system.

8.6 Corporate Cards

Corporate cards are used across the Trust, currently using the Corporate MultiPay system with the Trust's bankers. Corporate cards should be used only when it is not practical to make payment by BACS following the receipt of an invoice. It is used mostly for internet purchases and to buy refreshments for meetings.

Cards are assigned to named individuals, and payment details including the PIN and card payment details should be kept safe and secure. **Under no circumstances** should card details be shared with other staff to enable them to make payments themselves.

The CFO should act as the card administrator and manage the allocation and monitoring of card usage, including payment limits. The card administrator should not also be a cardholder. As soon as a member of staff leaves the Trust or is no longer a required cardholder, their card should be cancelled.

Expenditure through corporate cards should be authorised in advance by the budget holder or senior manager. All card payments should be recorded on the corporate card expenditure template (see appendix x), which should reconcile to the card statement and payment each month. The expenditure template should be checked and authorised each month by the headteacher/CEO and signed forms should be retained for inspection along with receipts for transactions. VAT invoices/receipts should be obtained for all purchases – where these are not obtained, no VAT should be recorded on the transaction to ensure a claim is not made without evidence.

9. VAT

The CFO is responsible for submitting the VAT126 claim form on at least a quarterly basis, and more regularly where appropriate for cash flow purposes.

All staff processing financial transactions must ensure that VAT is accounted for correctly in line with HMRC requirements, and that VAT is only recorded against transactions where sufficient evidence is available to support a reimbursement claim. If there is any uncertainty, advice should be sought from the finance team.

10. Income

10.1 ESFA Grants

The main sources of income for the Trust are the grants from the ESFA. The receipt of these sums is monitored directly by the CFO who is responsible for ensuring that all grants due to the academy are collected, and that variances in income are promptly investigated.

10.2 Other Grants and Local Authority Funding

Other grants, including local authority high needs funding, are monitored by the school finance teams. Headteachers are responsible for ensuring that all funding due to the academy is collected and additional funding claims are completed where appropriate.

10.3 Trips

A lead member of staff must be appointed for each trip to take responsibility for the collection of sums due. The lead teacher must prepare a record for each student intending to go on the trip showing the amount due. A copy of the record must be given to the school finance team.

The finance team should maintain an up to date record for each student showing the amount paid and the amount outstanding. This record should be sent to the lead teacher on a weekly basis and the lead teacher is responsible for chasing the outstanding amounts.

Trips should be run at cost price, although allowance can be made for administrative fees and additional staff cover. Any surplus greater than £10 per pupil is redistributed to parents. If the school decides to subsidise the school trip the amount of subsidy must be approved by the headteacher in advance of the booking being made.

10.4 Bad Debts

The Trust chases all monies due, and those that have not been paid within 30 days of an invoice being issues, by telephone or letter.

If the debt remains unrecoverable after 6 months, or it becomes clear that the debt will not be repaid, the headteacher submits a report to the CEO and CFO for approval of write off.

The following write off limits apply:

- Up to £1,000 – Accounting officer
- £1,000 to £45,000 – Trust Board
- Over £45,000 – prior approval required from ESFA

11. Purchasing

The academy trust must achieve value for money on all purchases. A large proportion of purchases are paid for with public funds and the Trust needs 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

11.1 Budget Holders

Headteachers may delegate management of elements of the overall school budget to middle and senior leaders. Budget holders should 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. Data detailing actual expenditure and committed expenditure (orders placed but not paid for) against budget should be supplied to each budget holder each month.

11.2 Routine Purchasing

A quote or price must always be obtained before any order is placed, and copies of all quotes obtained should be attached to the order form. Purchases below £10,000 do not necessarily have to be based on three quotations, but must be able to demonstrate that reasonable care has been taken to obtain best value, for example through the following:

- Use of an approved supplier where value has already been demonstrated
- Obtaining alternative quotations
- Comparison to known alternatives or catalogue prices
- Negotiating discounts
- Prices that are transparently at or near cost

All orders must be made, or confirmed, in writing using an official order form, stocks of which are held by the finance team. Orders must bear the signature of the budget holder or headteacher and must be forwarded to the finance team where the finance officer will check to ensure adequate budgetary provision exists before placing the order.

Approved orders will be recorded in the purchase order module of the finance system which allocates a reference number and commits expenditure. On receipt of the goods, the budget holder should undertake a detailed check of the goods and confirm acceptance to the finance team, who can then confirm the goods received note (GRN) on the finance system allowing an invoice to then be paid when received.

When an invoice is received, it must be checked by both the finance officer and budget holder/headteacher to confirm the following:

- Invoice arithmetically correct
- Goods/services received correctly and undisputed
- Prices correct and match order
- Invoice authorised for payment

- VAT is correct and invoice contains required information

Records of invoices and purchase orders, including signatures or electronic authorisation details, must be retained for the current year plus the previous six years, in line with other financial information.

11.3 Payment of Invoices

Payment runs should take place regularly in order to ensure that supplier payment terms are met. The finance officer or school business manager will export a BACS file from the finance system and upload the payments to the bank system. The payment will then need to be authorised by two bank signatories to confirm the transaction. The finance officer will provide the invoices included on the payment run to the signatories. The bank signatories then check the payment details to confirm the following:

- Payee details (sort code and account number) match the details provided on supplier invoices
- Payment totals for each supplier match the invoices provided
- An additional sense check that all expenditure is not novel or contentious, and should be paid by the Trust, confirming any queries with the budget holder if needed

11.4 Emergency/Urgent Payments

In certain circumstances, such as payroll errors, it might be necessary to make an urgent payment outside of the usual process outlined in this policy. For example, there may need to be exceptions to the usual payment authorisation process due to staff absence or an inability to process transactions on the finance system prior to making payment through the bank. In such cases, authorisation is needed from the CEO or CFO prior to making payment, in addition to the usual authorisation required based on the level of expenditure. Justification must be made of why such a payment cannot be made through the usual purchase order process, which provides a greater level of control.

11.5 Purchase Limits

All purchases must follow the process and comply with the limits set out in the Trust's [procurement policy](#) and scheme of delegated authority. All staff with involvement in the purchasing of goods and services should familiarise themselves with the procurement policy. The limits within the policy are summarised below for information:

Value of contract/goods	Authorisation needed
Up to £10,000	Headteacher/budget holder
£10,000 - £40,000	CEO
Over £40,000	Trust Board

11.6 Corporate Cards

Any staff member wishing to make a purchase using a corporate card must complete an official order form in the usual manner and pass this to the finance officer or school business manager to make the purchase. All order forms detailing the purchase must be signed by the budget holder.

12. Fixed Assets

All items purchased with a value over the Trust's capitalisation limit of £1,000 must be entered on the fixed asset register with the following details:

- asset description
 - asset number
 - serial number
 - date of acquisition
 - asset cost
 - source of funding (% of original cost funded from grant and % funded from other sources)
 - expected useful economic life
 - depreciation
 - current book value
 - location
 - name of member of staff responsible for the asset
- The asset register helps:
 - ensure that staff take responsibility for the safe custody of assets
 - enable independent checks on the safe custody of assets, as a deterrent against theft or misuse
 - to manage the effective utilisation of assets and to plan for their replacement
 - help the external auditors to draw conclusions on the annual accounts
 - support insurance claims in the event of fire, theft, vandalism or other disasters
- Examples of items to include on the asset register include:
 - ICT hardware and software
 - Reprographic equipment – photocopiers, comb binders, laminators
 - Office equipment
 - Furniture
 - AV equipment – TVs, OHPs, cameras, speakers
 - Catering equipment – ovens, fridges, dishwashers, food processors

- Technology equipment – sewing machines, craft machinery
- Premises equipment – lawn mowers, power tools, generators
- Other equipment – musical instruments, PE equipment
- Minibuses

12.1 Depreciation Rates

Fixed assets are depreciated using the following depreciation rates:

Asset category	Depreciation rate	Useful life
Buildings	2% straight line	50 years
Furniture and equipment	15% straight line	7 years
Computer equipment	33% straight line	3 years

12.2 Security of Assets

All the items in the register should be permanently and visibly marked as the academy trust's property and, where possible, stored securely when not in use.

An annual count should be undertaken by a member of staff separate from the preparer of the asset register. Where discrepancies between the physical count and the amount recorded in the register are found these are investigated promptly and, where significant, reported to the CEO and Trust Board.

12.3 Depreciation Rates

Disposals, where applicable, are in line with the Academies Financial Handbook. Items which are to be disposed of by sale or destruction must be authorised for disposal by the headteacher or CEO and, where significant, should be sold following competitive tender. The academy must seek the approval of the ESFA in writing if it proposes to dispose of an asset for which capital grant in excess of £20,000 was paid.

