



# Financial Procedures Manual

## February 2019

*Office use*

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## **1 Introduction**

- 1.1 This policy applies to all Diverse Academies Trust and National Church of England Academy Trust employees – collectively known as the Diverse Academies Learning Partnership (the ‘trust’ or ‘organisation’) – and associated governors, trustees and volunteers.
- 1.2 The purpose of this manual 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 and Skills Funding Agency (ESFA).
- 1.3 The trust must comply with the principles of financial control outlined in the Academies Financial Handbook. This manual expands on that and provides detailed information on the trust’s accounting procedures and system manual should be read by all staff involved with financial systems.
- 1.4 This manual 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 Financial Planning**

- 2.1 The academy trust prepares rolling 3 year budgets.

### **The budget cycle**

- 2.2 The budget cycle is as follows:
  - Autumn term (Sept – Dec)
    - Implementation of current budget plan
    - 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
    - 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

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.

## **Budget**

- 2.3 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.
- 2.4 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 academy to assess likely level of receipts
  - review of past performance against budgets to promote an understanding of the academy cost
  - 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
  - all carry forward balances
  - any unspent grants from the previous financial year
  - any funds held in Trust
- 2.5 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. Any expenditure from surplus funds will need to be approved by the CEO/ COO and Trust Board.
- 2.6 Actual position will be reviewed with Principals on a monthly basis through management accounts, any negative variances must be reviewed by Principals to ensure that actions are implemented to bring the financial position in line with budget.
- 2.7 The approved budget is entered onto the finance system at the start of the new financial year and reported against for the financial year.

### **Other Government Funding**

- 2.8 In addition to GAG funding from ESFA the trust may be awarded specific funding for other projects e.g. Condition Improvement Funds, Character Bid funding, Additional Special Educational Needs funding etc. This funding may be from the Department of Education or Local Authority. All government funding will be spent in accordance with the terms and conditions imposed, accurately recorded as government income (restricted) and audited externally annually.
- 2.9 The Cluster Finance Managers are responsible for recording income and expenditure for each grant, providing a reconciliation within the monthly management accounts if required.

### **Other Grants and specific funding**

- 2.10 In addition to the GAG funding from the ESFA and other government funding, The Trust may be awarded additional grants from time to time relating to specific projects e.g. Sport England Funding, Football Foundation Funding, Charitable Grants etc. All external funding and grants will be spent in accordance with the terms and conditions imposed, accurately recorded as income specific to a certain project and audited externally annually.
- 2.11 The Cluster Finance Managers are responsible for recording income and expenditure for each grant, providing a reconciliation within the monthly management accounts if required.

### **Funds held in Trust**

- 2.12 Where funds are held in trust the Group Financial Controller is responsible for ensuring accurate recording of the income and expenditure, as well as ensuring the funds are recognised separately as set out in the memorandum and articles.

### **Revised Budget**

- 2.13 Monitoring and analysis of the agreed budget should be carried out on a monthly basis by the Accounting Officer, COO and Group Financial Controller and reports forwarded to Local Academy Boards and the Trustees. Where significant variations to the agreed budget are identified have been approved by The Trustees and or where significant staff changes have occurred in-year, then a Revised Budget should be prepared and approved by The Trustees. This Revised Budget should then form the basis of analysis of all income and expenditure until the financial year end.

### **Budget Forecast Return**

- 2.14 The approved budget must be submitted to ESFA by the deadline given by the ESFA, by the Group Financial Controller. The Group Financial Controller is responsible for establishing a timetable, which allows sufficient time for the approval process and ensures that the submission date is met.

## **Monitoring and review (including management accounts)**

2.15 Monthly reports are prepared by Cluster Finance Managers. The reports include:

- actual income and expenditure against budget (shown as month to date and cumulatively)
- balance sheet
- cash flow forecast
- Summary highlight and explaining variances of at least 5% or £5,000 (whichever is smaller)

2.16 Any potential overspend against the budget must in the first instance be discussed with Academy Principals.

2.17 The Academy monthly reports are sent to the Group Financial Controller for consolidation, Chair of Governors, Academy Principal and Senior Executive Leader. The consolidated report is circulated to the Accounting Officer, COO and the Chair of Trustees.

## **3 Independent checking procedures**

3.1 The Board of Directors has established an 'audit and risk' committee and a 'finance and resources' committee, who meet once a term, or more frequently if necessary. The committees are responsible for monitoring and making recommendations to the Board of Directors on matters related to audit. The Board has:

- Defined its terms of reference.
- Prescribed the extent of its delegated authority with the terms of these procedures.
- The Board of Directors ensure they receive minutes of the committee's meetings.
- The Board reviews the audit committee's remit and membership annually.

### **Accounting officer**

3.2 The accounting officer is the CEO who has personal responsibility to the Board of Directors, Parliament and the accounting officer of the ESFA for the resources under their control.

The essence of the role is:

Personal responsibility for the propriety and regularity of the Trust and academy's funds.

Keeping proper accounts.

Ensuring that financial reports are produced for the Directors, ESFA and Companies House.

Prudent and economical administration.

The avoidance of waste and extravagance.

Ensuring value for money.

The efficient and effective use of all of the resources in their charge.

The day-to-day organisation, staffing and management of the academy.

3.3 The accounting officer must advise the board and academy governing bodies in writing if, at any time, in his or her opinion:

- Any action or policy under consideration by the Board or an academy is incompatible with the terms of the academies financial handbook or the funding agreement.
- The board appears to be failing to act where required to do so by the terms and conditions of the academies financial handbook or the funding agreement.

3.4 If the board proceeds, contrary to the advice of the accounting officer, and the accounting officer believes that they are in breach of the academies financial handbook or the funding agreement, the accounting officer must advise the ESFA's accounting officer of the position in writing.

#### **Internal audit service**

3.5 Delivering assurance through independent challenge (internal audit). The Trust has appointed an external audit company to provide 'internal audit service' to ensure that the Trust's Financial Planning process is robust. To confirm this, the external audit company review the following:

- The Trust's Financial Plan Is based upon clearly documented assumptions taking into account confirmed funding allocations;
- Discuss with management the assumptions underlying the Financial Plan;
- Review what financial modelling has been completed by the Trust, including phasing of funding and bridging gaps in income;
- Review the budget setting process and timetable, and specifically the links between the Strategic Plan, Curriculum Plan (CLFP), Capital Programme, and the production of the Financial Plan;
- Review the process of setting staffing budgets in line with the confirmed allocations and any changes in the curriculum;
- Review the involvement by budget holders (Academy/ Central Support Areas) in setting budgets; and,
- Review the processes for budget accountability.

## **Review of regularity**

3.6 The CEO (in their role as Accounting Officer) reviews the following documents termly to ensure the academy trust is working within the boundaries of regularity and propriety:

- reviews management accounts
- reviews compliance against the scheme of delegation
- reviews transactions for evidence of connected party transactions
- value for money practice

3.7 The Accounting Officer has delegated the following responsibilities to The Group Financial Controller and Senior Finance Manager:

- adherence to tendering policies
- review of transactions confirming in line with delegated authorities as set out by the Academies Financial Handbook

3.8 A checklist is completed for each review undertaken.

## **4 Annual accounts**

4.1 The academy trust must prepare annual audited financial statements for the accounting period to 31 August.

4.2 The accounts are prepared in house by The Group Financial Controller.

4.3 The accounts are then submitted as follows:

- by 31 December – to ESFA
- by 31 January – published on our own website
- by 31 May – to Companies House
- 

### **Value for money statement**

4.4 As part of the annual accounts the trust must include 3 focussed examples of value for money.

4.5 The Group Financial Controller is responsible for collating the examples which are then confirmed by the finance committee.

### **Audit arrangements**

4.6 External auditors must be appointed in accordance with the Academies Financial Handbook.

4.7 The Group Financial Controller is responsible for managing the audit process, by liaising with the auditors, arranging the timetable for accounts and audit completion and ensuring

deadlines are met.

### **Work undertaken during accounting period**

4.8 The Group Financial Controller is responsible for the following tasks to be undertaken during the year to facilitate a smooth audit process:

- reviewing the structure of the trial balance
- maintaining a fixed asset register
- monthly depreciation charges
- maintaining income and expenditure records (including filing of invoices)
- reviewing aged debtors for any provisions required
- maintaining a record of governors/trustees interests, related and connected party transactions
- control account reconciliations (bank, wages, debtors, creditors)
- maintaining a record of meeting attendance
- Monitoring & reporting to the Accounting Officer and Board of Trustees

### **Work undertaken for the year end**

4.9 The Group Financial Controller is responsible for the following tasks to be undertaken at the end of the year to facilitate a smooth audit process:

- stock take and including of year end stock value
- prepayments for IT licenses
- prepayments or accruals for grant income
- control account reconciliations (bank, wages, debtors, creditors)
- close down of the purchase ledgers
- close down of the Sales ledgers and aged debtors
- pension valuations
- Pension Audit

### **Accounts Return**

4.10 The academy trust must prepare an annual accounts return for the accounting period to 31 August, which is submitted to the ESFA by the given deadline.

4.11 The accounts return is prepared by The Group Financial Controller.

### **Document retention**

4.12 Please refer to the Trust's retention policy

## **5 Accounting system**

5.1 All the financial transactions of the academy trust must be recorded into PS Financials, the computerised financial information accounting system. This system is operated by the Finance Department and consists of:

- Monthly audit trails.
- Masterfile amendment reports for payroll, the purchase ledger and the sales ledger.
- Management accounts summarising expenditure and income against budget.

### **System Access**

- 5.2 The Trust's accounting system is computerised. Access to the system is restricted to the Trust's employees and those authorised by the Accounting Officer, such as an outside bursarial service. The system is accessed by passwords, which are changed routinely. Passwords are only known by the relevant member of staff and the system manager. Passwords are changed immediately if an employee is aware that an unauthorised person has learnt their password. If an outside provider uses the computerised accounting system, they are given their own user id and password.
- 5.3 Software is installed on the Trust's computer systems to detect viruses, spyware, and other malicious threats. Regular updates are used to ensure that the latest threats are detected. There is also a facility for cleaning up infected files.
- 5.4 Three-monthly reviews are carried out to ensure that access rights and levels of access are still relevant to the responsibilities of individual users. Access for staff who are no longer employed by the academy is removed as soon as the staff member leaves.
- 5.5 The academy complies with the requirements of the Data Protection Act.
- 5.6 Alterations to any original documents such as cheques, invoices, orders and other vouchers are made clearly in ink and initialled. The use of correcting fluid or the erasure of information is not acceptable.
- 5.7 All accounting records including invoices, delivery notes, bank statements etc. are retained in hard copy for six years, plus the current year, in accordance with the Trust's retention policy.

### **Back-up Procedures**

- 5.8 The Trust use an external company to host the finance software called Edufin.
- 5.9 Edufin are responsible for ensuring that there is effective back up procedures for the system. Data is backed up on a suitable medium or server and the copies stored in a secure place (in a fireproof container). Back-up copies are taken on at least a daily basis.
- 5.10 An electronic copy of the nominal ledger is downloaded from the finance system each month and saved on a local shared drive.

## **Transaction processing**

- 5.11 All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual.
- 5.12 All journal entries are documented on the journal form, and authorised by the Finance Manager prior to being input to the accounting system.
- 5.13 Bank transactions are input by Finance Assistant and reviewed by Finance Manager.

## **Transaction reports**

5.14 The Finance Manager reviews the following system reports to ensure that only regular transactions are posted to the accounting system:

- the bacs audit trail reports;
  - reports for the payroll, purchase ledger and sales ledger;
  - management accounts summarising expenditure and income against budget
- Reconciliations

5.15 The Finance Assistant 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 account
- VAT control account
- bank balance per the nominal ledger to the bank statement

5.16 The Finance Manager signs all reconciliations as evidence of review.

5.17 Any unusual or long outstanding reconciling items are brought to the attention of The Group Financial Controller and dealt with according to the bad debt limits in this manual.

## **6 Cash Management**

### **Bank Accounts**

6.1 The following procedures must be followed when opening a bank account and operating it:

- The Trust is responsible for selecting the banking institution and negotiating the terms and conditions
- The Trustees must authorise the opening of all bank accounts and signatories on each
- The Trust will ensure that in the event of changes to key personnel or governors/trustees, signatories will be changed immediately and the bank notified. Any

on-line access to banking will also be removed

- Terms of arrangements, including cheque signatories or BACS authorisations and the operation of the accounts must be formally recorded and agreement minuted
- The Trust must ensure there are sufficient funds to cover large payments

### **Deposits**

6.2 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)

6.3 The Finance Assistant is responsible for updating the accounting system (within 2 working days) for deposits placed.

### **Payments and withdrawals**

6.4 All cheques and other instruments authorising withdrawal from academy bank accounts must bear the signatures of two signatories as per bank mandate.

6.5 This provision applies to all accounts, public or private, operated by or on behalf of the governing body of the academy including funds held in trust. Authorised signatories must not sign a cheque relating to goods or services for which they have also authorised the expenditure.

### **Administration**

6.6 The Finance Assistant ensures bank statements are received regularly and that reconciliations are performed at least on a monthly basis. Reconciliation procedures must ensure that:

- A. all bank accounts are reconciled
- B. reconciliations are prepared by the Finance Department
- C. reconciliations are subject to an independent monthly review carried out by the Finance Manager
- D. adjustments arising are dealt with promptly

### **Petty Cash**

6.7 The Trust does not operate a petty cash system.

### **E-procurement & Payments**

6.8 The academy credit card (Lloyds bank) is used only when it is not practical to use the purchase order/cheque system. It is used mostly for internet purchases and to buy

refreshments for meeting etc. The academy's card will be charged to the academy budget account and can only be used for specific purposes.

- 6.9 Sales vouchers, invoices and requisition forms are checked by the Finance Manager against the amounts entered and reconciled with the bank statements and credit card statements.
- 6.10 The expenses are posted to the relevant accounts.
- 6.11 The balance on the card is to be paid in full each month
- 6.12 Any department wishing to make a purchase on credit card must complete an order form and pass this to the Finance Assistant or Admin staff to make the purchase. All order forms detailing the purchase must be signed by the Budget Holder.
- 6.13 Occasionally the credit card is used to purchase small items or to fund Petty Cash, where it is not possible to order this elsewhere. This must be recorded and countersigned by the Finance Manager.
- 6.14 When the credit card bill arrives there will be a signed order form relating to each entry on the statement, a VAT invoice is required for all purchases and it is sometimes necessary to chase suppliers for this.

### **BACS Payments**

- 6.15 On receipt of an invoice, the budget holder signs the invoice, to signify:
  - an official purchase order has been raised for the purchase
  - the delivery note has been checked
  - the delivery is of correct quantity, quality and price
  - it has not been previously paid
  - funds are available in the relevant budget
  - VAT chargeability on qualifying expenditure is shown
- 6.16 The payment is then prepared and the BACS payment is then passed to two of the bank signatories who check the bacs file to ensure that they have been correctly entered and approves payment.
- 6.17 BACs payments will be processed on a monthly basis, however exception will be made to reputational payments such as student bursaries and late urgent supplier payments.
- 6.18 The Finance Team ensures that evidence is kept of the employment status test criteria applied, when dealing with payments to individuals. Where an individual has been assessed as self-employed, the Finance Team should request that the individual states his self-employment reference number on any invoice issued to the school.

### **Investments**

- 6.19 Investments are made in accordance with written procedures approved by the Board of Trustees.
- 6.20 All investments are recorded in sufficient detail to identify the investment and to enable the

current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

## **Reserves**

- 6.21 Any overall surpluses or deficits (reserves) at the end of the year are carried over to the following year.
- 6.22 The CEO as Accounting Officer must inform ESFA immediately if a deficit is anticipated.
- 6.23 If the academy trust is anticipating a deficit at the end of any financial year, the Trustees and CEO have a responsibility to ensure action is taken at the earliest opportunity to address this issue. A recovery plan is then submitted to the ESFA by the Trustees.
- 6.24 The academy trust undertakes to ensure that a contingency reserve of 2.5% of the previous year's total GAG is kept.

## **Capital Reserves**

- 6.25 Any overall surpluses at the end of the year are carried over to the following year.
- 6.26 It is the responsibility of The Group Financial Controller to keep accurate records of the capital funds, especially where grants have been received for capital projects.

# **7 Payroll**

## **Staff Appointments**

- 7.1 There are established procedures to:
- Ensure personnel are competent, suitably qualified and trained to a level consistent with their responsibilities.
  - Provide clear statements of criteria for personnel selection.
  - Provide formal job descriptions.
  - Ensure that the cost of all appointments, re-gradings and any other changes in conditions of service of staff can be met within the resources available to the Trust.
- 7.2 HR maintains a list of staff employed by the academy and their current salaries, which is reviewed annually.
- 7.3 The academy uses the services of a payroll agent and the contract between the academy and the agent includes:
- The responsibilities of the academy and the payroll bureau.

- The responsibility for making returns to HMRC and the dates by which these returns should be made.
- Details of ownership of programs and data files.
- Responsibilities for the control and accuracy of data.
- Details of authorised signatories for payroll amendments.
- Back up provisions.
- A schedule of reports to be sent to the academy for financial and personnel monitoring purposes.
- An agreement as to the response time and costs that will be charged for any additional data or reports required by the academy.
- Provision for access for academy staff and auditors.

7.4 The payroll agent processes the staff payroll following the variance checks made by the Payroll Lead. They do not process salary changes authorised by the person whose salary is changing. Payments are made as follows:

- Net payments to staff, by BACS, to employees.
- HMRC payments, by the payroll agent, to HMRC.
- Pensions payments, by the payroll agent to the pension's authorities.
- Overtime claims, as part of net payments to staff, through the payroll.
- Expense payments, through the payroll, to employees.

7.5 No individual is treated as 'self-employed' without the clearance of HMRC.

7.6 The HR staff are responsible for obtaining the relevant DBS checks and ensuring these are retained on file

### **Payroll Administration**

7.7 Payroll is administered through the academy trust's payroll provider.

7.8 All staff are paid monthly through the payroll provider. A master file is created for each employee which records:

- salary
- taxation status
- personal details
- any deductions or allowances payable
- other legal and relevant details

7.9 Timesheets for additional hours, temporary work or overtime undertaken are completed by

the employee. In turn this is authorised by the budget holder, prepared by the Finance Team and signed off by the Principal/budget holder.

### **Payments**

7.10 All salary payments are made by BACS.

7.11 The Finance Department prepare a reconciliation between the current month's and the previous month's gross salary payments showing adjustments made for new appointments, resignations, pay increases etc.

7.12 The payroll system automatically calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions. The amounts payable is summarised on the monthly payroll reports.

7.13 After the payroll has been processed the nominal ledger will be automatically updated. Postings will be made both to the payroll control account and to individual cost centres. The Finance Department should review the payroll control account each month to ensure the correct amount has been posted from the payroll system, individual cost centres have been correctly updated and to identify any amounts posted to the suspense account.

7.14 Annually, the payroll department checks each member of staff that the gross pay per the payroll system agrees to the contract of employment held on the personnel file.

### **Salary advances**

7.15 The trust does not award salary advances.

### **Overtime**

7.16 Overtime is recorded by the Finance Assistant directly on to the payroll system once it has been appropriately authorised.

7.17 Claim forms must not be submitted prior to work having been undertaken.

7.18 No payments for work undertaken will be made other than via the payroll system.

### **Severance payments**

7.19 The academy trust is able to self-approve the non-contractual element of severance payments up to £50,000. A business case must be presented before agreeing a payment, using the form provided by ESFA on Gov.uk.

7.20 Where the non-contractual element is on or over £50,000 prior approval from ESFA must be sought.

7.21 The Accounting Officer must sign off and review each business case.

### **Ex-gratia payments**

7.21 Any ex-gratia payments must be submitted to ESFA for prior approval.

## **8 Income**

- 8.1 The Trust has overall responsibility for ensuring that all income due to the academy is properly accounted for. Day-to-day responsibility for this is delegated to the Finance Managers. Income, including valuations for donated services and gifts in kind, is accounted for in accordance with the requirements set out in the academies financial handbook. Receipts are given for all amounts of non-grant income.

### **ESFA grants**

- 8.2 The main sources of income for the academy are the grants from the ESFA. The receipt of these sums is monitored directly by the Group Financial Controller who is responsible for ensuring that all grants due to the academy are collected.

### **Other grants**

- 8.3 The receipt of these sums is monitored directly by Finance Managers who are responsible for ensuring that all grants due to the academy are collected.

### **Trips**

- 8.4 A lead member of staff must be appointed for each trip to take responsibility for the collection of sums due. The lead staff member must prepare a record for each student intending to go on the trip showing the amount due and complete a costing form. The costing form must be given to the Finance Department for approval.
- 8.5 Students should make payments to the Finance Department.
- 8.6 The Finance Department should maintain an up to date record for each student showing the amount paid and the amount outstanding. This record should be sent to the lead teacher on a weekly basis and the lead teacher is responsible for chasing the outstanding amounts.
- 8.7 Trips should be run at cost price, although allowance can be made for administrative fees and additional staff cover. Any surplus greater than £15 per pupil is redistributed to parents. If the school decides to subsidise the school trip the amount of subsidy must be approved by the Principal in advance of the booking being made.

### **Lettings**

- 8.8 All lettings are subject to a letting agreement, setting out the terms and conditions of the academy letting, including the agreed charge.
- 8.9 All hiring of academy equipment and facilities is recorded on the letting planner kept by the facilities manager and in a lettings diary.

- 8.10 The lettings diary and the letting planner are reviewed by the finance manager on a monthly basis to ensure that all lettings have been invoiced.
- 8.11 When a letting is booked the hirer completes a hire form.
- 8.12 The finance office generates sales invoices. All monies are received at the end of each term. The finance department is responsible for maintaining records of bookings of sports facilities and for identifying the sums due from each organisation.
- 8.13 The academy ensures that relevant insurance is in place for each letting.
- 8.14 Copies of the organisations up to date relevant Public Liability, indemnity, insurance and qualifications (where relevant e.g. H&S, First Aid, Instructor etc.) are kept with the Letting Agreements and are reviewed at least annually.

### **Gift aid**

- 8.15 To ensure the academy trust, in its position as an exempt charity, receives all the monies it is entitled to, the Finance Manager;
- reconciles income against records to confirm expected amounts have been received by the donor
  - ensures the tax reclaimable from HMRC has been obtained and any relevant business use deductions have been made.

## **9 Bad debts**

- 9.1 The academy trust chases all monies due, and those that have not been paid within 30 days of an invoice being issued, by telephone or letter.
- 9.2 If the debt remains unrecoverable after 12 months, or it becomes clear that the debt will not be repaid, the Finance Manager submits a report for approval of write off.
- 9.3 The following write off limits apply and approval is required as follows:
- Up to £1,000 – Cluster Finance Manager and Senior Executive Leader – Report to Local Academy Board
  - Over £1,000– Trust Board & CEO / COO – Report to Trust Boards
  - All write offs over £5,000 to be reported in Audited Accounts
  - ESFA approval required if amount is 1% of total income or £45k (whichever is smaller) per single transaction - refer AFH 3.4.2

## **10 Purchasing**

- 10.1 The academy trust must achieve value for money on all purchases. A large proportion of our purchases are paid for with public funds and we need to maintain the integrity of these

funds by following the general principles of:

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

### **Tendering**

- 10.5 All purchases with a value of £25,000 or more are put out to formal tender. The academy advertises throughout the member states of the European Community where there is a legal requirement to do so. Where appropriate, the suppliers invited to tender are drawn from the approved list maintained by the finance office. Where required by the conditions attached to a specific grant from the ESFA, the relevant body's approval is obtained before accepting a tender.
- 10.6 Please refer to Trust's tendering policy.

### **Quotations**

- 10.7 Quotations are obtained as follows:

Purchases up to £5,000 – at least a single written quotation.

Purchases of £5,000 to £25,000 – three written quotations.

The academy and Trust keeps a record of suppliers who have been contacted but who have declined to provide a quotation.

### **E-procurement**

- 10.8 Any department wishing to make a purchase on credit card must complete an official order form in the usual manner and pass this to the finance department. All order forms detailing the purchase must be signed by the Budget Holder.
- 10.9 Occasionally the credit card is used to purchase small items, where it is not possible to order this elsewhere. This must be recorded and countersigned by the Finance Manager.

### **Orders**

- 10.10 Computerised, pre-numbered orders are used for all goods and services and all orders are placed through the finance office.
- 10.11 Orders are only made by telephone in exceptional circumstances and then confirmed in writing. A copy of any spoiled order is retained on the computer, and marked as such. Official academy orders are not generated for the private use of individuals.
- 10.12 All purchase order requests must be sent to the finance department once approved by the

budget holder.

- 10.13 Approved orders will be recorded in the purchase order module of the finance system which will generate a reference number and commits expenditure. Orders will be dispatched to the supplier from the Finance Department.
- 10.14 The budget holder must make appropriate arrangements for the delivery of goods to the academy. 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 reported to finance and discussed with the supplier of the goods without delay.
- 10.15 If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Finance Department should be notified. The Finance Department will keep a central record of all goods returned to suppliers.
- 10.16 All invoices should be sent to the Finance Department. Invoice receipt will be recorded by the Finance Department (and the invoice scanned) into the Finance System.
- 10.17 The budget holder must make a detailed check against the order and the GRN and these documents must be attached to the invoice before it is sent back to the Finance Department. Budget holders must undertake these checks without undue delay and in any case within 7 days of invoice receipt.
- 10.18 If a budget holder is pursuing a query with a supplier the Finance Department must be informed of the query and periodically kept up to date with progress.
- 10.19 At the end of the month, The Finance Department will produce a list of outstanding invoices from the purchase ledger and this list together with supporting documentation will be reviewed by the Finance Assistant.
- 10.20 The Finance Department will then input details of payments to be made to the purchase ledger and ensure the payments have been approved in accordance with the levels of authority document.
- 10.21 BACS payments are input by the Finance Team and authorised on-line by two signatories in accordance with the banking policy and procedures.

#### **Orders over £5,000 but less than £25,000**

- 10.22 At least three written quotations should be obtained for all orders between £5,000 and £25,000 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 faxed confirmation of quotes has been received before a purchase decision is made and made in accordance with value for money principles.

## **Orders over £25,000**

10.23 All goods/services ordered with a value over £25,000, or for a series of contracts which in total exceed £25,000 must be subject to formal tendering procedures.

## **Official Journal of the European Union**

10.24 Above £181,302 for supply and service contracts and above £4,551k for construction works contracts, Contracts over EU thresholds (for guidance refer to OJEU to follow a compliant process under the Public Contracts Regulations 2006 and subsequent legislation.

## **Trading with connected parties and related parties**

10.25 Connected parties arise where one party has control or influence over the other, or where the parties are subject to common control. This includes parent companies and their subsidiaries, key management personnel including company directors, their close family members and other entities in which these parties have a controlling interest. Accounting standards require transactions between related parties to be disclosed in company financial statements as connected party transactions. Such transactions are permitted under company law, charity law and under the Academies Financial Handbook provided that open and transparent procurement procedures have been followed and any potential conflicts of interest are adequately and appropriately managed.

10.26 The ESFA's Academies Accounts Direction sets out that, for academy trusts, connected parties include:

- parties with control over, or controlled by, the entity (for example parent and subsidiary companies)
- parties having significant influence over the entity
- key management personnel of the entity, including any director, whether executive or otherwise
- close family members
- others subject to control or significant influence by any individual referred to above

10.27 The Trust wherever possible there should be no trading with connected parties should be avoided because of the following:

- The potential risk to public funds because transactions cannot be demonstrated to be properly entered into or reasonable
- That the transaction may be considered irregular because it does not comply with legislation, with the terms of the Trust's funding agreement and/or the Academies Financial Handbook, and/or comply with internal trust procedures

- That the transaction may be considered improper because it fails to meet the requirement that expenditure and receipts must be dealt with in accordance with parliament's intentions and the principles of parliamentary control. This covers standards of conduct, behaviour and corporate governance.
- That the transaction may bring the Trust into disrepute because it could be viewed negatively by the community or stakeholders

10.28 The Trust will only allow trading with connected parties if the trade can clearly be shown to be beneficial on a financial, operational and/or governance level, to the local community or to the quality of education delivered and thereafter educational outcomes for pupils.

10.29 Beneficial trading can be considered under the following circumstances:

Sharing experienced staff or providing school to school support:

- in order to benefit from economies of scale
- because of their existing knowledge of the Trust operations and its objectives
- because there are established working relationships with the Trust's senior management team
- because there are known quality of outcomes
- for school improvement support
- Trading subsidiary: to manage services provided by a trust (school to school support, nurseries, sports facilities that also benefit the wider community)
- Shared services: with local authorities or strategic partners which offer reduced costs through economies of scale or benefits as described above
- MAT central services functions

10.30 In most cases the financial transactions would be between the institutions involved and this would be within the current rules as the transaction would be deemed to be 'at cost'.

10.31 For these purposes the cost will be the 'full cost' of all the resources used in supplying the goods or services. Full cost includes:

- all direct costs (the costs of any materials and labour used directly in producing the goods or services)
- indirect costs (comprising a proportionate and reasonable share of fixed and variable overheads)

Full cost must not include an element of profit.

## **Goods and services for private use**

10.32 No goods are ordered or services provided to include any elements of private use by governors and staff.

## **Insurance**

10.33 The Group Financial Controller reviews insurance arrangements annually. They ensure that the sums insured are commensurate with the risks and include cover for academy trust property when off the premises.

10.34 The Trust has opted in to the Department for Education's Risk Protection Arrangements.

10.35 Budget holders must ensure all valuable are kept under lock and key when not being used in a supervised manner.

10.36 The first £500 of replacement has to be funded by the department concerned as no budget is held centrally. Items under £500 will receive no insurance pay out and it is up to the department concerned as to whether the item is replaced or not.

## **Gifts**

10.37 Ordinarily such gifts should be rejected, unless they are of negligible value (e.g. diaries, calendars). However, any gifts or hospitality in excess of £25 are reported to the Accounting Officer in order to protect the individual receiving the gift. This is particularly important where the person receiving the gift is a budget holder, has the ability to influence purchasing decisions or regularly receives reimbursement from the school for items other than travel expenses.

10.38 Gifts that have been reported are entered onto the gifts and hospitality register.

## **Fraud**

10.39 The trust does not tolerate fraud. Where instances of fraud are found the Accounting Officer will notify the ESFA as per the AFH.

## **Leasing**

10.40 Finance leases represent borrowing and are not allowed under the Academies Financial Handbook.

10.41 The Trust is responsible for approving all operating leasing and hiring arrangements, under the scheme of delegation the Trust can set a sum which can be approved by the CEO and ESFA.

10.42 No leased item is disposed of without the express permission of the leasing company. This includes sale, part exchange, scrapping, writing-off, donating, re-leasing, subletting or any other form of disposal.

## **11 VAT**

### **VAT 100 form**

11.1 The Group Financial Controller is responsible for submitting the VAT 100 form per quarter/monthly and ensures compliance with HM Revenue and Customs for claiming the correct levels of VAT.

## **12 Fixed Assets**

### **Asset register**

12.1 The Trust includes details of all assets with a cost greater than £1,000 value, in the asset register. The register records:

- Asset description, date of acquisition, asset cost, location
- Source of funding.
- Expected useful economic life.
- Depreciation.
- Current net book value.

### **Inventory of valuable assets**

12.2 Each academy has named individuals who keeps the records for inventory The inventory records:

- Asset description, Asset number, Serial number.
- Date of acquisition.
- Asset cost.
- Location.
- Name of member of staff responsible for the asset.

12.3 Items used by the academy but owned by others are included, with a note of ownership. Leased items are identified as such with the termination date of the lease.

12.4 The Finance Manager will ensure that the asset register has been checked to assets in the academy annually. Any discrepancies are investigated and reported to the principal who informs the central finance team of the loss and any known reason for this. The insurers are notified as appropriate. Any assets removed from the academy site are recorded in a loan book.

- 12.5 The length of time the asset will be off site is recorded together with the appropriate authority. The appropriate authority is the business manager. The finance office checks that assets will be insured before they are removed from the academy. No assets are removed from the academy for a period of time, which would unreasonably deny the academy use of those assets.
- 12.6 All assets are security marked.
- 12.7 All items purchased with a value over the academy'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
- 12.8 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
- 12.9 Examples of items to include on the asset register include:
- ICT hardware and software (this list can be combined and used to identify software licences to ensure the school is complying with legislation)
  - Reprographic equipment – photocopiers, comb binders, laminators
  - Office equipment – fax machines, shredders, switchboard
  - Furniture
  - AVA equipment – TVs, video/DVD players, OHPs, cameras, speakers
  - Cleaning equipment – vacuum cleaners, polishers
  - 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
- Mini buses

### **Security of assets**

12.10 All the items in the register are permanently and visibly marked as the academy trust's property.

12.11 Equipment is, where possible, stored securely when not in use.

12.12 An annual count is undertaken by a person, who is different 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 central finance team.

### **Disposals**

12.13 Disposals, where applicable, are in line with the Academies Financial Handbook.

12.14 Items which are to be disposed of by sale or destruction must be authorised for disposal by Finance Manager and, where significant, should be sold following competitive tender. The academy must seek the approval of the ESFA in writing in line with the Academies Financial Handbook.

### **Loan of Assets**

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

12.16 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 academy's auditors.