

Finance Handbook

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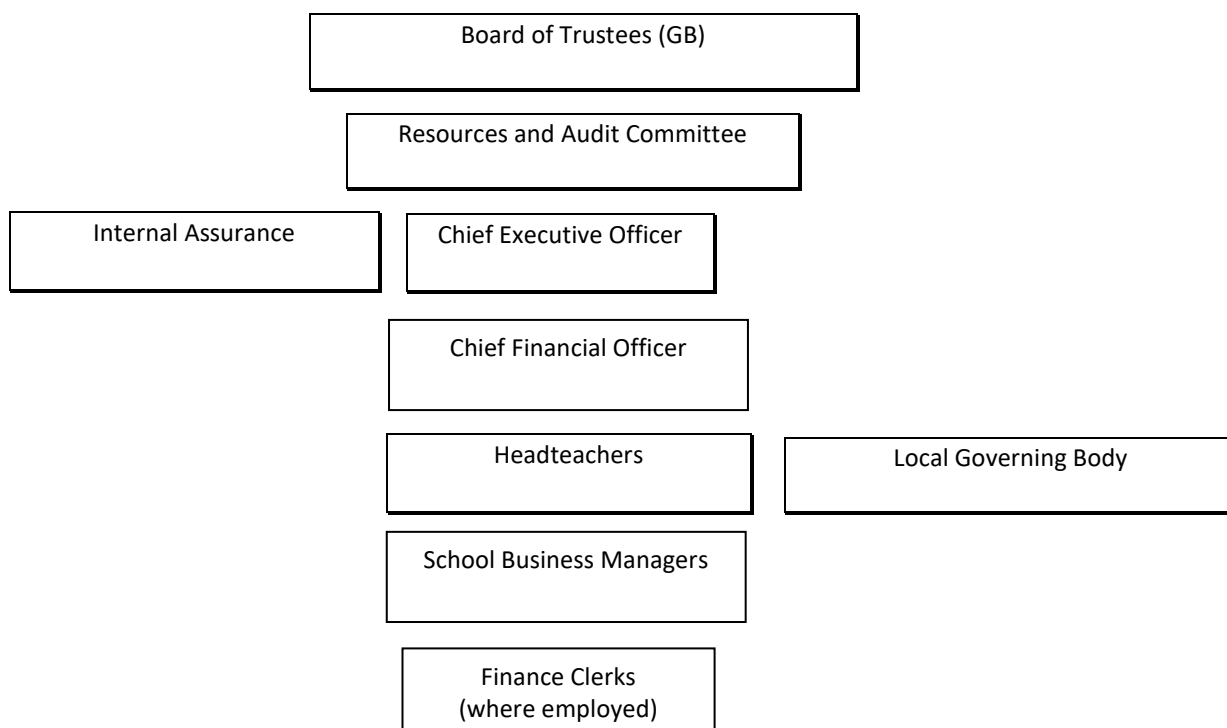
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1. Introduction

- 101 The purpose of this manual is to ensure that the Trust establishes and maintains effective systems of financial management, control and reporting. It is aimed at Finance Staff in the Trust, but should be available to all staff with budgets, income or expenditure responsibilities.
- 102 This manual provides information about the Trust's financial and accounting procedures as well as governance and should be read by all staff working with the financial systems. Detailed operational procedures will sit outside this handbook.
- 103 Training sessions will be held periodically to ensure that all staff involved with financial systems and controls are familiar with the Handbook and procedures and can operate the systems and procedures properly.
- 104 Reference to the Department for Education (DfE) should also be read as referring to the ESFA, where appropriate.
- 105 Please also read this manual in conjunction with the Academy's Scheme of Delegation.
- 106 All queries should be referred to the Academy Chief Financial Officer (CFO).

2. Organisation Structure

- 201 The financial reporting structure is illustrated below and is followed by a short introduction to the role of each body.



The Trust Board

- 202 The Trust Board (TB) is the official term for the Board of Trustees. These are the directors of the company. No business can be conducted unless a quorum is present.
- 203 The TB's responsibilities cover the full range of the Trust's activities. The TB may delegate some of its financial responsibilities to the Resources and Audit Committee, which is a sub-committee of the TB. In addition, the TB must formally discuss and approve:
- The Trust/Academies annual budget;
 - The financial statements for filing in accordance with Companies Act and Charity Commission requirements;
 - Appointment of senior staff as outlined in the Scheme of Delegation;
 - All purchasing decisions over £20,000;
 - Approving the virement between and within budget headings;
 - Disposal of assets above £20,000.
- 204 The main responsibilities of the TB are:
- Monitor annual Trust/Academies annual budget;
 - Oversee capital investment programmes;
 - Ensure compliance with the Funding Agreement and all relevant financial regulations relating to the Trust are observed;
 - Review the reports of the Responsible Officer on the effectiveness of the financial procedures and controls;
 - Establish, monitor and review employment policies.
 - Regular monitoring of actual expenditure and income against budget;
- 205 Trustees may not receive any form of payment for their work, other than payment of reasonable out-of-pocket travel, accommodation or other expenses incurred while attending in the capacity of a Trustee. Please refer to the Gifts and Hospitality Policy for more detail.
- 206 No Trustee may hold an interest in property belonging to the Trust, nor may a Trustee receive remuneration in respect of any contract to which the Trust is a party.

Resources and Audit Committee

- 207 The Resources and Audit Committee (RAC) is a committee of the Trust Board. It meets as required by the TB. No business can be conducted unless a quorum is present. The Board of Trustees may co-opt two persons on the Committee who are not trustees provided that the majority of members are trustees.
- 208 The main responsibilities of the RAC are detailed in written terms of reference from the TB. These include:

- to review the effectiveness of internal control systems of the Trust and Academies
- Receive, consider and recommend Auditor's reports, action findings and recommend good practice
- Ensure Internal Audit provision meets relevant standards and is compliant with guidelines

Local Governing Board

The Local Governing Board (LGB) is responsible for:

- Authorising the purchases of goods and services of value between £10,000 and £20,000;
- Authorising the disposal of fixed assets with a value between £10,000 and £20,000;
- Authorising all virements to and within budget headings between £10,000 and £20,000.
- Contribute to the appraisal of the Headteacher.

Internal Assurance Reviews

209 The TB is required to obtain independent oversight of the Trust's financial affairs. The main purpose of this is to assure the TB that:

- The financial responsibilities of the TB 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.

210 The academy has asked the external auditors to undertake a termly audit programme to ensure that financial transactions have been properly processed, and that controls are operating as laid down by the TB. A report of the findings from each visit will be presented to the TB. Each Academy must implement any recommendations. The School Business Manager (SBM) will be given an opportunity to comment on the report before it is given to the RAC.

Chief Executive Officer

211 The Chief Executive Officer (CEO) has overall executive responsibility for the Trust's activities within the framework of the agreed annual and longer term plans. The CEO is deemed to be the Accounting Officer for reporting purposes. Much of the financial responsibility is delegated to the Chief Financial Officer (CFO). Their responsibilities include:

- Signing of the Annual Accounts;
- Responsible for making sure the school accounts system produces timely returns and reports for the TB, ESFA and any other relevant body.

Chief Financial Officer

212 The Chief Financial Officer (CFO) works closely with the CEO through whom he or she is responsible to the TB. The CFO also reports directly to the TB and the RAC. The main responsibilities of the CFO are:

- Ensuring that all financial and administrative returns are made to the ESFA and other funders; and
- Ensuring that the necessary information for other statutory returns (annual accounts, Charity Commission filings etc.) is provided promptly to the appropriate authorities.

Headteachers

213 Each Academy within the Trust will have a Headteacher. Their responsibilities include:

- Approving new staff appointments within the scheme of delegation;
- Authorising the purchase of goods and services up to £10,000;
- Signing cheques/authorising electronic payments in conjunction with other authorised signatories;
- Authorising the disposal of assets up to £10,000 in value.

School Business Manager

214 Each Academy within the Trust will have a School Business Manager (SBM). Their responsibilities include:

- Day-to-day management of financial matters including the establishment and operation of suitable accounting and forecasting systems and an asset register;
- Management of the Academy financial resources at a strategic and operational level within the framework of financial controls determined by the TB;
- Maintenance of effective systems of internal control;
- Ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records;
- Preparation of monthly management accounts and financial reports;
- Authorising the purchases of goods and services of value of up to £10,000 in conjunction with the Headteacher;
- Authorising payments in conjunction with the dual signatories procedure;

Finance Team

215 The Finance Team consists of the CFO, the SBM plus Finance Officers or Finance Assistants within individual academies.

Other Staff

- 216 All staff members are responsible for the security of Trust property, for avoiding loss or damage, for ensuring economical and efficient use of resources and for compliance with Trust financial procedures.

Register of Interests

- 217 No-one involved in spending public money may benefit personally from the decisions they make. To avoid misunderstandings, Trustees and staff with significant financial or spending powers are required to declare their financial interests in entities from whom the Trust might purchase goods or services.
- 218 A register of interests should be maintained at each Academy to ensure that all decision-making bodies are aware of any potential conflicts of interest when awarding contracts or making other financial decisions. All members of the TB, LGB, CEO, Headteachers, SBMs and CFO will need to fill out the register of interest form on appointment and this exercise should be repeated annually as a minimum. Forms are available from Governor Services.
- 219 The register should include business interests such as directorships, shareholdings or other appointments of influence within any business or organisation which might have dealings with the Trust. Business interests of relatives such as a parent, spouse or child should also be disclosed where influence could be exerted over a Trustee or employee by that person.
- 220 The existence of the register does not affect the duty of Trustees and staff to declare interests whenever they are relevant to matters being discussed by the TB, a committee or any other working group within the Trust. Where an interest has been declared, the individual(s) concerned should not attend that part of any committee or other meeting.

Gifts and Hospitality

- 221 All personal gifts and hospitality (above a minimum monetary amount of £30) received by Trustees or staff should be declared and recorded. This minimises the risk of staff and Trustees being compromised by expectations of reciprocal benefits. The Headteacher or SBM at each Academy should be consulted before any such gifts or hospitality are accepted.
- 222 The Finance Team should enter any receipt of gifts/hospitality into the Register of Gifts and Hospitality and this should be maintained by the SBM at each Academy within the Trust. Gifts received on behalf of the Academy should be entered on the Trust register. Please refer to the Gifts and Hospitality Policy for more detailed guidance.

3. Financial Planning

- 301 Each Academy within the Trust must prepare both short-term and medium-term financial plans.

- 302 The medium-term financial plan is prepared as part of the development planning process. Individual Academy Development Plans indicate how the Academy's educational and other objectives are going to be achieved within the expected level of resources over the next five years.
- 303 Each Academy Development Plan provides the framework for the annual budget. The budget is a detailed statement of the expected resources available to the Academy and the planned use of those resources for the following year. The deadline for budget preparation is notified by the ESFA on an annual basis.

Development Plan

- 304 The Development Plan is concerned with the aims and objectives of each Academy and how they are to be achieved. This includes matching objectives and targets to the available human and financial resources. Plans should be kept relatively simple and flexible. They provide the broad framework within which more detailed plans may be made.
- 305 Each year the Headteacher must propose a planning cycle and timetable to the TB 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";
 - Feedback into the next planning cycle – "what worked successfully and how can we improve?"
- 306 The timetable will specify the deadlines for the completion of each of the stages described above. Responsibility for each part will be assigned by the Headteacher.
- 307 The Development Plan will include detailed objectives for the coming academic year and outline objectives for the following two years. It should also include cost estimates, both capital and revenue, associated with each objective and success criteria against which achievement can be measured. The SBM should be fully involved in the development of the plan.
- 308 For each objective the lead responsibility for ensuring progress is made towards that objective will be assigned to an Academy senior team member at each individual Academy, who should monitor performance against the success criteria throughout the year, and report to the Headteacher. The Headteacher will report to the TB if there is a significant divergence from the agreed plan and will recommend an appropriate course of action.

Annual Budget

- 309 Each Academy SBM is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the Headteacher in conjunction with the TB. The responsibility for setting the priorities for funding, budget-setting

and general financial planning lies with the individual Academy. All significant risks that may impact on the financial viability of the Trust will need to have been recorded, and the financial impact considered and mitigated where possible. To that end, a detailed commentary will need to be provided with any budget submission.

- 310 The approved budget must be submitted to the ESFA by the due date each year and the CFO is responsible for establishing a timetable which allows sufficient time for all approvals and submissions.
- 311 The annual budget will estimate the resources available to the Academy for the next year and will show how these are to be used. The Academy Development Plan objectives and the budgeted use of resources should be clearly linked. While the SBM is primarily responsible for the completion of the annual budget, he or she should work with relevant individuals to ensure that the budget is consistent with and reconcilable to the Academy Development Plan.
- 312 The budgetary planning process shall incorporate the following elements:
- Forecasts of pupil numbers and characteristics to estimate the ESFA grants receivable;
 - Review of other income sources to assess likely level of receipts;
 - Review of past performance against budgets to make the cost base clear;
 - Levels of central spend grant to be passed to the Academy;
 - Identification of potential efficiency savings;
 - Review of the main expenditure headings in light of Academy Development Plan objectives and expected cost variations e.g. pay increases and inflation.
- 313 It is important that any new projects proposed are robustly challenged and costed to ensure that they are the most appropriate course of action and represent value for money.

Balancing the Budget

- 314 It is incumbent upon the TB to only approve annual budgets that do not show an underlying deficit position (i.e. a deficit is only acceptable when resulting from expected use of brought forward figures, such as Start Up funds).
- 315 Comparison of estimated income and expenditure will identify any potential surplus or shortfall. If shortfalls are identified, opportunities to increase income should be explored and expenditure categories reviewed for areas where savings can be made. This may require projects to be deferred until funding is available. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need. Any carry-overs of GAG funding need to be in compliance with the annual funding letter.
- 316 It is not anticipated that the annual budget should show a large surplus of funds over expenditure. Irrespective of the carry-forward calculation, it is not deemed responsible to try and build up significant reserves unless there is a particular project that requires savings to fund it over a number of years e.g. Reserves

Policy. Start Up funding does not count towards the ESFA carry-forward calculation.

Communicating the Budget

- 317 The budget should be communicated to all relevant staff so that everyone is aware of overall constraints and their particular responsibilities.
- 318 The budget should be accompanied by a statement of assumptions and hierarchy of priorities so that if circumstances change, it is simple for all concerned to take remedial action. The budget should be seen as a working document which may need revising throughout the year as circumstances change.

Risk Management

- 319 An essential part of financial planning is consideration of risks to the Trust. This covers all risks, not merely financial risks, as mitigation of non-financial risks can still have financial consequences. The CFO should maintain a detailed risk - register. This needs to be updated regularly and considered by the TB alongside the annual budget submission. The TB should have risk management as a standing item on their agenda, and any significant changes to the register should be considered at each meeting.

Debt Write-offs

- 320 Debt write-offs may be approved for a variety of reasons. The most common reasons include:
- Insufficient legal proof of the debt or liability for the charge;
 - The likely expense of legal actions exceeds the likely recovery;
 - The debtor cannot be traced;
 - The debtor is unable to pay;
 - The debt represents the outstanding balance after a final dividend has been paid in cases of bankruptcy or insolvency.
- 321 Any debt write-off exceeding £500 in value will need to be approved by the TB
- 322 Any write-off over the amounts set out in the ESFA's Academies Financial Handbook needs written consent by the Secretary of State.
- 323 Any loss arising from suspected fraud and any loss above the value of £5000 from suspected theft must be reported to the ESFA.

Monitoring and Review

324 Monthly financial reports will be prepared by the SBM and distributed two/three weeks after the end of the month.

325 The monthly report will generally take the following format:

- Income and expenditure, actual against budget, for the period and for the year to date, in aggregate and by nominal code;
- A projection of the anticipated end-of-year position;
- An extra report will be available for all budget holders (cost centre holders). This will detail budgeted, actual, committed and available spend to date;
- A variance column;
- A brief narrative with explanation(s) of any significant deviations from budget;
- An update on significant capital projects in progress;
- Summary of key balance sheet items such as creditors and debtors at month end;
- A summary of the cash position and outlook.

327 If a budget overspend is forecast, it may be appropriate to transfer money from another budget or any contingency.

328 Monthly reports should be reviewed by the CFO. Where applicable, corrective measures may be taken to ensure that the authorised budget is not exceeded.

4. Accounting System

401 The system currently in use is ACCESS. All financial transactions must be recorded on the accounting system.

402 The coding structure used by the Trust will be set at the outset of the Trust, but changes can be made if new codes are required due to change in circumstances.

403 It is the responsibility of the Academy Finance Team to ensure that all postings to the finance system are done on a timely and accurate basis, and that all required financial checks are carried out on a timely basis by appropriate personnel, such as reconciliations and payroll submissions.

404 It is the responsibility of the SBM, in agreement with the Headteacher, to identify individual budget holders and set limits for their authorisation. It is the responsibility of the SBM to ensure that all undisputed invoices are paid within 30 days.

405 Accounting policies are set by the TB. The main policies are:

- A capitalisation threshold of £1,000
- Depreciation rates of:
 - i. Leasehold buildings – 50 years (2% p.a.)
 - ii. Furniture and fittings – 5 years (20% p.a.)
 - iii. Computer equipment – 3 years (33.3 p.a.)

iv. Vehicles – 5 years (20% p.a.)

406 The format of accounts complies with the most recent Charities SORP and Companies Act.

System Access

407 The accounting system is password restricted and passwords should be changed regularly.

408 Access to component parts of the system can also be restricted, and the CFO is responsible for controlling the access levels.

Back-up Procedures

409 The CFO, together with the Trust's IT Team, should ensure that back-up procedures for the system and any other financial records are in place, to minimise the risk of data loss.

410 The CFO, together with the Trust's IT Team, should also prepare a disaster recovery plan in the event of loss of accounting facilities or financial data. This should link in with the annual assessment made by Trustees of the major risks to which the Academy is exposed, and the systems that have been put in place to mitigate those risks.

Transaction Processing

411 All entries in the accounting system must be properly authorised. The procedures for running the payroll, the purchase ledger and the sales ledger are included in the following sections of the manual. Journal entries must be documented either by keeping copies of all journals, and authorised by the SBM before entry into the accounting system. Cash book payments should be entered by the SBM.

Transaction Reports

412 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:

- Monthly audit trail reports;
- Master file amendment reports for the payroll, purchase ledger and sales ledger;
- Management accounts summarising expenditure and income against budget at budget holder level.

Reconciliations

413 The SBM 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;
- Petty cash;
- All suspense accounts; and
- All bank accounts.

414 Any unusual or long outstanding reconciling items must be brought to the attention of the CFO. Cheques uncashed after six months should be written back, and reissued if appropriate. The CFO will review and sign all reconciliations as evidence of his or her review. A review of any aged debtors and creditors listing should also be carried out to ensure that long-standing issues are revisited and addressed.

5. Staffing and Payroll

501 The main elements of the payroll system are:

- Staff appointments;
- Payroll administration; and
- Payments.

Staff Appointments

502 The TB will have approved a staffing structure for the Executive Team. Additions can only be made to this structure with the express approval in the first instance of the TB, who must ensure that adequate budgetary provision exists for the increase.

503 The Headteacher has authority to appoint and remove Academy staff. Please see the Scheme of Delegation for more detailed information. Each Academy maintains full personnel files for all members of staff.

Payroll Administration

504 All staff members are paid monthly, by the 25th of each month.

505 The Academy payroll is administered by an outside supplier (currently Access).

506 A master record is held by each Academy SBM for each employee recording:

- Salary, including pay scale and spine point;
- Pension details;
- Part-time hours, including term-time only calculations;

- Bank account details;
 - Taxation status;
 - Personal details; and
 - Any deductions or allowances payable.
- 507 New master records are created by the SBM on instruction from the Headteacher. Master file amendments will be reported by the SBM and must be authorised by the Headteacher.
- 508 The SBM must complete a monthly staff return showing all sickness and absence and also appointments and departures. Authorised staff returns go to the SBM who sends the documents for payroll processing.
- 509 The SBM will provide data to Access each month in accordance with the regular timetable.
- 510 The following is a summary of Access role:
- a. Each Academy will notify Access of all payroll changes i.e. starters, leavers, overtime, backpay and salary changes;
 - b. Access have responsibility to check the accuracy of data being supplied by each Academy and will have responsibility for the calculations of pensions, SMP, SSP etc;
 - c. Access will produce all reports in either PDF or Excel format;
 - d. Access will make all payments by BACs and send all reports to third parties i.e. pension providers, union subs, attachment of earnings orders etc.
 - e. Access will prepare and file P35s, P14s, P60s and provide reports to allow completion of LGPS and TPS returns (including EOYC reports);
 - f. Access will administer all starter, leaver and amendment forms for the LGPS and TPS.

Payments

- 511 Before payments are made, a print of salary payments by individuals and showing the amount payable in total will be provided by Access, to be reviewed and authorised by the SBM.
- 512 All salary payments are made by BACS. The payment date is the 25th day of the month or on the Friday before if 25th falls on a weekend.
- 513 The SBM should carry out regular monthly reviews to ensure that there are no inconsistencies in the payments and that these are reasonable.

Other Considerations

- 514 Access will provide a monthly payroll journal to be authorised by the SBM and posted to the nominal ledger. The SBM should review the payroll control account each month after posting to ensure that there are no unallocated balances.

- 515 As a minimum, the SBM 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.
- 516 Once a year, the SBM must check that employee gross pay on the payroll master file matches the contract of employment on the employee personnel file.
- 517 The overall pay structure has been created by the TB and all appointments should be made in line with that structure. Annual increases within this structure are determined centrally by reference to national agreements.
- 518 The SBM will ensure that all payments to individuals are processed through the payroll. Where an individual is self-employed or runs their own company, the SBM will ensure that all necessary steps are taken to mitigate any IR35 implications (or other such legislation in this area).

6. Expenditure and Procurement

- 601 The Trust wants to achieve the best value for money from all purchases and at all times. This means purchases need to be in the correct quality, quantity and completed within the appropriate timeframe and at the best price possible. Purchases should follow the general principles of:
- Probity - it must be clear that there is no private gain in the Trust's contractual relationships;
 - Accountability - the Trust is 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

- 602 Budget holders will be informed of their budgets at least two months before the start of the academic year. Funds available must not be overspent.
- 603 The Headteacher have authority to place orders for budgeted and unbudgeted items up to £10,000. Spends between £10,000 and £20,000 require Local Governing Body approval. Spends over £20,000, require TB approval.
- 604 The CFO may create approved supplier lists for some types of expenditure. If a relevant approved supplier list exists, budget holders must obtain the CFO's agreement to purchase from alternative suppliers. Due process will be followed, for example a tender exercise, before assigning approved supplier status.
- 605 All requisitions from budget holders must be made in writing using an official requisition form, stocks of which are held in the Finance Office or available electronically on the network. Requisitions must bear the signature of the budget holder and must be forwarded to the Finance Office, which will check to ensure that adequate budgetary provision exists and place the order.

- 606 Orders that are in compliance with the budget are allocated and emailed to the supplier.
- 607 The budget holder must make appropriate arrangements for the delivery of goods to each 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 discussed with the supplier of the goods without delay.
- 608 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 SBM will keep a central record of all goods returned to suppliers.
- 609 All invoices should be sent to the Finance Office. All invoices need to be authorised by the relevant individual before payment procedures are initiated. Invoices are to be authorised according the following principles:
- Spending up to £10,000 can be authorised by the Headteacher;
 - Spending between £10,000 and £20,000 to be authorised by the LGB;
 - Any spending over £20,000 to be authorised by the TB.
- 610 Invoice receipt will be recorded by the Finance Team on the accounting system. The SBM or authoriser will sign the invoice for payment.
- 611 The invoice should include a date and signature, before further processing.
- 612 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.
- 613 At the end of every week, the Finance Team will produce a list of invoices due for payment from the purchase ledger and this list, together with supporting documentation, will then be reviewed by the SBM. The SBM will authorise those invoices which should be paid.
- 614 The Finance Team will then input the details of payments to be made to the purchase ledger and generate the payments.

Orders up to £5,000

- 615 Value for money should be considered for all amounts of expenditure, but no formal quotes are required for spend under £10,000.

Orders over £10,000 but less than £50,000

- 616 Where appropriate, at least three written quotations should be obtained for all orders between £10,000 and £50,000. Written confirmation of oral quotes must be obtained before a purchase commitment is made. Confirmations by email and/or fax are acceptable. Quotes should be attached to purchase requisitions. Where three quotations cannot be obtained, for instance a sole supplier, this must be approved by SBM or Headteacher in all cases.

Orders over £50,000

- 617 All goods/services ordered with a value over £50,000, or for a series of contracts which in total exceed £70,000, must be subject to formal tendering procedures.
- 618 Orders or contracts with an anticipated value over the EU threshold may be subject to European Procurement Directives. In these circumstances the CFO must be contacted before proceeding with the tender.

Forms of Tender

- 619 There are three forms of tender: open; restricted and negotiated. The circumstances in which each should be used are described below.
- *Open Tender.* This is where all interested suppliers are invited to tender. The budget holder must discuss and agree with the CFO on how to advertise 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 avoidance of corruption.
 - *Restricted Tender.* This is where specific suppliers are 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 might come forward or the nature of the goods is such that only specific suppliers can be expected to meet the 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

- 620 Full consideration should be given to:
- The objective of the project;
 - Overall requirements;
 - Technical skills required to meet the tendering criteria;
 - After-sales service requirements;

- Form of contract.

621 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

622 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.

623 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;
- Form of response.

Aspects to consider when evaluating the tender

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? If so, the Academy should always aim to achieve best value for money.

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.

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

- 624 The invitation to tender should state the date and time by which the completed tender document should be received by the Academy. 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 unless there are exceptional circumstances.

Tender Opening Procedures

- 625 All tenders submitted should be opened at the same time. At least two people should be present for the opening of tenders, the SBM and / or Headteacher and the responsible budget holder.
- 626 A tender register will be held recording all tenders and hold the names of the firms submitting tenders and the amount tendered. This record must be signed by the people present at the tender opening.

Tendering Procedures

- 627 The evaluation process should involve at least two people with no conflicts of interest in the tender.
- 628 Those involved in making a decision must not accept gifts or hospitality from potential suppliers that could compromise or appear to compromise their independence.
- 629 Full records should be kept of each tender evaluation and a report should be prepared and considered in line with purchasing approval limits highlighting the relevant issues and recommending a decision.
- 630 Where required by the conditions attached to a specific grant (eg from the ESFA), the grantor's approval must be obtained before acceptance of a tender.
- 631 The accepted tender should be the one which offers best value for the Academy and should be the one of lowest value unless there are exceptional circumstances. If the lowest value tender is not awarded the waiver must be approved by the TB. The tender evaluation must give sufficient detail and evidence for the waiver.

7. Income

- 701 The main sources of income for the Academy are:
- Grants from the ESFA/LA for general and specific purposes;
 - Grants from other Government Agencies or other organisations for specific purposes and programmes;
 - Meals income;
 - Off-site trip income;

- Lettings income;
- Clubs income;
- Bank interest.

ESFA Income

- 702 The main recurrent grants from the ESFA are paid monthly around the 1st of each month.
- 703 Notification of the level of grant is usually received around March in the year before the financial year in question. Some grants are granted on a financial year basis of April to March and are therefore not notified until later in the year. Estimates may therefore be required to meet budgeting deadlines.
- 704 Insurance grants are based on reimbursing actual costs, and therefore should be estimated for budget purposes.

Off-Site Trips

- 705 Each Academy is to use ParentMail to collect the money due from students for all trips. A list of the students going on the trip, should be supplied to the Finance Team by the trip lead and the amount due from each student should be maintained by the Finance Team on ParentMail.
- 706 Parents should make payments via ParentMail or by agreement, a cash payment to the office which will be recorded on ParentMail by the staff member.
- 707 The Finance Team should review each trip on ParentMail each week, chasing any outstanding amounts in good time before the day of the trip.

Lettings

- 708 Individual Academy's may from time to time let premises to other organisations, subject to such lettings not clashing with the timetabling of the Academy. Any letting of the Academy's premises may be either commercially or community motivated.
- 709 New long-term letting proposals must be approved by the Headteacher. A financial analysis must be prepared showing the expected income and related costs. The TB must approve lettings which will not cover the direct occupancy costs of the letting (staff overtime, cleaning, utilities etc) since these lettings amount to an application of Academy funds.
- 710 The SBM will appoint one member of the Finance Team to deal with Academy users (the 'Lettings Co-ordinator').
- 711 The Lettings Co-ordinator is responsible for maintaining booking records and for calculating the sums due. Advance payments to be decided by the SBM as applicable.

- 712 The Lettings Co-ordinator should liaise with others to avoid timetable clashes. Where possible, lettings should be arranged to minimise overtime costs, for example, by scheduling two letting activities in different areas of the Academy at the same time.
- 713 The Lettings Co-ordinator should provide details of organisations using the facilities to the SBM, who will establish a sales ledger account and produce sales invoice(s) from the accounting system.
- 714 Academy users should be told to send all payments to the SBM.

Custody

- 715 Pre-numbered Academy receipts should be issued for all cash and cheques received where no other documentation exists. Cash and cheques must be kept in the Finance Office safe until banked.
- 716 Monies collected must be banked in their entirety.

Bank Interest

- 717 Each Academy will receive bank interest on all amounts held in their interest bearing account. The ability to generate high levels of interest will however be limited and mainly only achievable in the first few of years of operation when start up funds are received.

8. Cash Management

Bank Accounts

- 801 The Trust will operate one current account and each Academy will operate one current account. It is not anticipated that further accounts will be required. The opening of any further accounts must be authorised by the TB who must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque-signing arrangements. The operation of systems such as Bankers Automatic Clearing System (BACS) and other means of electronic transfer of funds must also be subject to the same level of control.

Deposits

- 802 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;
 - A reference, such as the number of the sales invoice or receipt or the name of the debtor.

Payment Procedures

- 803 All cheques, BACS payments or other instrument authorising withdrawal from Trust bank account must be signed by two of the following:
- Chair of Trustees;
 - CEO;
 - CFO.
- 804 All cheques, BACS payments or other instrument authorising withdrawal from any Academy bank accounts must be signed by two of the following:
- The Headteacher;
 - Deputy Headteacher;
 - Assistant Headteacher;
 - SLT member.
- 805 This provision applies to all accounts, public or private, operated by or on behalf of the Trust. Authorised signatories must not sign a cheque relating to goods or services for which they are the recipient.
- 806 The SBM will then sign and date the invoice paid.

Administration

- 807 The SBM must ensure bank statements are received regularly and reconciled at least monthly. Reconciliation procedures must ensure that:
- All bank accounts are reconciled to the nominal ledger;
 - Reconciliations are prepared by the SBM;

- All reconciliations are reviewed by the Headteacher;
- Reconciliations are subject to an independent review carried out by the Responsible Officer at random, quarterly; and
- Adjustments arising are dealt with promptly.

808 Where cheques are in use:

- They must be crossed “account payee only”
- They must not be pre-signed;
- All unused cheques must be retained securely.

Cash Flow Forecasts

809 Each Academy SBM is responsible for preparing cash flow forecasts to ensure that the Academy has sufficient funds available to cover its obligations. If significant surplus balances are forecast, steps should be taken to invest the surplus. Similarly appropriate plans should be made in the event of a forecast shortage.

Investments

810 If Academy’s are able to generate better returns than currently provided in the deposit account, it may undertake other investments. Investments may however only be made in accordance with procedures approved by the TB. It is expected that all investment decisions will be made on a risk-averse basis. All investments, need TB approval.

811 Investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated, including the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure that income receivable is actually received.

Petty Cash Accounts

812 The Trust is cashless.

Physical Security

813 Should any Academy receive any cash this should be held in a locked cash box that is kept in the safe overnight.

Credit Cards

814 To aid purchases where the best deals do not allow for purchase on invoices (i.e. internet purchases) each Academy will be provided with credit cards in the name of the Headteacher and SBM. Additional cards will require approval of the TB.

815 A full reconciliation should be carried out on receipt of the monthly statement. The same level of proof of purchase is required as with other payments, so receipts and print-outs of online purchases should be kept and attached to the statement.

Expenses

- 816 With all expenses, proper consideration needs to be given when incurring costs that you wish to be reimbursed. Expenses will only be paid if they are wholly and necessarily for the benefit of the Academy, rather than the individual. Entertainment-related expenditure should therefore be approved before being incurred and should be minimised.
- 817 Wherever possible expenditure should be incurred on the basis that the supplier will invoice the Academy following delivery. It is acknowledged, however, that on occasions it will be necessary to pay by cash. In exceptional circumstances a cash advance can be given out by the SBM to cover expenses. This must be entered into the cash book held in Finance. Once the expenditure has been incurred, then the relevant receipts need to be submitted to Finance, along with a completed Expenses Claim Form and the correct change.
- 818 If the expenditure has been incurred without a cash advance then an Expenses Claim Form needs to be completed and submitted to Finance for reimbursement, along with the relevant receipts. If receipts are not submitted, or a reasonable explanation for the absence given, then it cannot be taken for granted that the costs will be reimbursed.
- 819 All expense claim forms must be approved by the budget holder, or Headteacher. The Headteachers expenses will be approved by the SBM.
- 820 Reimbursements of expenses incurred will usually be made by cheque or BACs.
- 821 Expenses should only be incurred once the expenditure has been approved by the relevant budget holder.

Expenses – Travel and Subsistence

- 822 There will be occasions when staff will need to travel on Academy business. All reasonable expenses incurred whilst on such business will be reimbursed. It is the responsibility of the traveller, however, to ensure that such costs are warranted and minimised.
- 823 For national and international travel, standard class public transport should be used.
- 824 Private cars may be used if this is more convenient/cost effective, and will be reimbursed at the appropriate rate. The congestion charge may also be reimbursed, if relevant.
- 825 Where overnight accommodation is required, the appropriate expected standard is three star or equivalent. Whilst on Academy business, reasonable living expenses will be reimbursed. This would include all meals, but not alcohol.
- 826 Receipts must be kept to facilitate reimbursement. There can be no guarantee of reimbursement where receipts have not been submitted.

827 All travel plans should be agreed in advance with the relevant budget holder.

828 For further information please see the Expenses Policy.

9. Fixed assets

Purchase of Assets

901 All assets purchased with an individual value over £1,000 must be entered in the asset register.

Asset Register

902 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;
- Manage the effective use of assets and plan for their replacement;
- External auditors to audit the annual accounts and the financial systems;
- Support insurance claims in the event of fire, theft, vandalism or other mishaps.

903 The Asset Register should include the following information:

- Date of acquisition;
- Description of the asset including serial number or other identifying details;
- Cost;
- Source of funding (if purchased from restricted funds);
- Location of asset;
- Expected useful life of asset;
- Staff member or department responsible.

904 The Asset Register is to be kept up-to-date and reviewed regularly. At least once a year a spot check should be made that assets exist and have been recorded correctly.

Security of Assets

905 All assets on the register should be permanently and visibly marked as Academy property, and there should be a regular (at least annual) count by someone other than the person maintaining the register.

906 Discrepancies between the physical count and the register should be investigated promptly and, where significant, reported to the TB.

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

- 908 If applicable, items used by the Academy, but not owned by the Academy, should be recorded as such.

Disposals

- 909 Items to be sold or disposed of must be authorised for disposal by the Headteacher and, where they have significant value, should be sold by competitive tender or auction. If the estimated value of the asset exceeds £10,000, the SBM should obtain the Headteacher's approval before proceeding. If the value is over £10,000 it must be agreed by the LGB before proceeding, and if over £20,000 by the TB.
- 910 Each Academy must obtain ESFA approval in writing if it proposes to dispose of an asset for which capital grant of more than £25,000 was paid.
- 911 Disposal of equipment to staff is not encouraged, as it may be more difficult to prove that the Academy obtains value for money. In addition, there are complications with the disposal of computer equipment, as the Academy has to ensure that software licences are transferred legally to the new owner.
- 912 The Academy is expected to reinvest proceeds from sales of assets for which capital grant was paid in other Academy assets. If sale proceeds are not reinvested then the Academy must repay a proportion of the sale proceeds to the ESFA.
- 913 All disposals of land must be approved in advance by the Secretary of State.
- 914 The form for seeking approval for the disposal of an asset can be obtained from the SBM.

Loan of Assets

- 915 Individual Academy property may not be removed from the premises without the authority of the Headteacher or SBM. The loan must be recorded in a loan book to be kept by the SBM and the item booked back when it is returned. Equipment will be used for the sole benefit of the Academy and not for personal use. Separate procedures will apply where appropriate (for example mobile phones).
- 916 If assets are loaned for extended periods or frequently to a single member of staff, a 'benefit-in-kind' may arise for PAYE purposes. Loans should therefore be kept under review and discussed where necessary with the Academy's auditors.
- 917 When an employee leaves the Academy, all loaned property must be returned and evidenced in the 'loan book'.

Attractive Items Register

- 918 Items which fall under the de-minimus level for capital expenditure (under £1,000) still represent an investment by the Trust, and in some cases it is desirable to monitor these items in a similar way to capital purchases. In this instance, an Attractive Items Register may be used. This details information such as cost, serial number, responsibility and location. This can be used for items such as digital

cameras, camcorders, printers etc. It is the responsibility of the SBM in each Academy to maintain the register if required.

Premises

- 919 Damage to The Trust's premises should be dealt with promptly to avoid further damage and additional costs. It is the responsibility of the SBM and Caretaker at each Academy to ensure their site is maintained to a standard appropriate for the Trust.
- 920 Damage should be reported to the SBM who will take appropriate action. The LGB must approve repairs and replacements over £10,000, and the TB over £20,000 unless there are exceptional and urgent circumstances, in which case the SBM should obtain the approval of the Chair of Trustees, or in his/her absence, any member of the TB may provide the relevant approval.
- 921 Each Academy should have a regular condition survey linked to an asset management plan to ensure that buildings are maintained appropriately and irregular expenditure is budgeted for accordingly.

10. Contracts (including Leases)

- 1001 Any non-routine tenders or purchases, such as leases, are subject to a contract between each Academy and the supplier which is to be signed *before* the contracted work begins or the delivery of goods.
- 1002 The contract(s) should clearly set out (as applicable):
- The scope of work with detailed and accurate specifications;
 - The timeline and completion date of the work(s);
 - Dates for completion of works;
 - Quality controls on work(s);
 - The agreed fees/charges and payment date(s);
 - Specification of the goods to be delivered (as applicable);
 - In the case of a lease, whether it is an operating or finance lease (finance leases should be avoided as they are akin to borrowing and not usually allowed by the ESFA).
- 1003 The signing of a contract and/or lease should be treated like the placing of an order and the signing of a cheque.
- 1004 Copies of all contract documentation must be filed in a Contracts/SLA Register.

11. Insurance

- 1101 The Trust will procure adequate insurance protection as appropriate and in line with ESFA guidelines. Such cover should follow the principles of value for money and be subject to the purchasing and procurement policies outlined above.
- 1102 The Trust will notify the insurers of any new risks or any other alterations affecting existing insurance.
- 1103 The Trust will immediately advise its insurers of any accident, loss or other incident which may give rise to an insurance claim.

12. VAT

- 1201 The Trust has opted not to register for VAT as taxable supplies are expected to be below the relevant registration threshold.
- 1202 Each Academy shall monitor its income on a monthly basis and make arrangements to register for VAT should it expect taxable supplies to exceed the registration threshold.
- 1203 Where budget holders are placing orders, the value of the order should therefore reflect the net amount due, the VAT element to be reclaimed, and the gross amount to be paid to the supplier.
- 1204 The accounting system should reflect within expenditure the cost net of recoverable VAT. Recoverable VAT should be debited to the VAT control.
- 1205 It should be ensured that all VAT recovered is supported by an appropriate and valid VAT invoice from the supplier.
- 1206 Each Academy shall ensure that VAT is only recovered on appropriate expenditure.
- 1207 Each Academy shall keep proper records to justify the proportion of VAT recovered on each category of expenditure.
- 1208 Each Academy shall provide the CFO with a VAT126 to enable the CFO to complete a VAT126 claim for all Trust Academies and reclaim on a monthly basis in the correct format to ensure that recoverable VAT is received on a timely basis.
- 1209 The VAT account balance and monthly VAT126 reclaim should be reconciled each time a reclaim is prepared and any discrepancies identified and corrected as soon as they become apparent.

13. Borrowings

General Considerations

- 1301 Any Academy within the Trust must seek the Secretary of State's approval for both short-term borrowing (including overdraft facilities) and medium/longer-term loans from the private sector (including finance leases), where such borrowing is to be repaid from ESFA grant or secured on assets funded from ESFA grant. However, the Secretary of State's normal policy is that Academies should not be granted permission for medium and long term borrowing.
- 1302 As such, the Trust is unable to use loan financing or similar. An exception to this is credit cards.

14. Year End Procedures

- 1401 Budget holders should be advised against rushing into commitments at year end in order to use up their budgets. The overriding principle at all times should be obtaining value for money, and if that means a delay while the best deal is sought, pushing expenditure into the following year, then this should be followed and accommodated. Ideally, however, expenditure should be planned during the year.
- 1402 The Finance Team should operate a purchase order system in order to be able to track commitments and apply expenditure to the year to which it relates.
- 1403 In conjunction with the auditors, the CFO will prepare the statutory accounts. In order to complete this task, a number of schedules are required. These will be notified to us by the auditors in advance of each year end. Examples of the information required is as follows:
- Aged debtors listing;
 - Aged creditors listing;
 - Fixed Asset Register, also detailing all additions and disposals;
 - Staff numbers in year, FTE by type (teachers, admin and support, projects and management);
 - Prepayments schedule;
 - Accruals schedule;
 - Accrued and deferred income schedules;
 - Year end bank and petty cash reconciliations;
 - Other income breakdown;
 - Listing of numbers of staff being paid over £60k, in bands of £10k;
 - LGPS/TPS statements;
 - Lease commitments (expiring under 1 year, 1-5 years, over 5 years);
 - Related party transactions listing;
 - Capital commitments listing;
 - Other information requested by the auditors at the pre year end planning meeting.

1404 The Academy Finance Team will be required to aid external auditors as they will visit each Academy as part of their audit of the accounts. These auditors will be appointed by the TB. The audited and signed accounts will be filed with the ESFA and Companies House.

15. **External Liaison**

1501 The Trust will have dealings with external bodies such as the ESFA, Local Authority and other central government bodies as appropriate.

1502 Where areas of expenditure or actions are required to be passed to the Secretary of State for the ESFA for their formal approval or notification, then this should be done by the CFO. The areas that this would cover are included in the Academies Financial Handbook, and include:

- any guarantees, indemnities and letters of comfort entered into;
- write-off of debts or liabilities owed to the Academy over £5,000;
- any ex-gratia payments;
- any freehold sales or purchases;
- the grant or take-up of any leasehold or tenancy agreement for more than three years;
- capital disposals with an original cost of over £25,000 financed from ESFA sources;
- any loss arising from suspected theft or fraud exceeding an amount set out in the annual funding letter.

1503 The CFO must notify the TB of such expenditure or actions before commitments are made so that statutory obligations can be met.

16. **Financial Protection and Malpractice**

1601 All Trust staff should adhere to the Principles of Ethical Standards in Public Life.

Fraud

1602 All staff have a responsibility to protect the assets of the Trust. As such, the Trust ensures that staff have a mechanism by which to report suspected fraud.

1603 In addition, the management of the Trust must also have the means to investigate such cases. Please refer to the Trust Reporting and Investigation of Suspected Fraud Policy for more details.

Whistleblowing

1604 Whistleblowing inside the work place is the reporting by workers or ex-workers of wrong-doing such as fraud, malpractice, mismanagement, breach of health and safety law or any other illegal or unethical act either on the part of management, the TB or by fellow employees. Workers may include, for

example, contractors and agency workers.

- 1605 The Public Interest Disclosure Act 1998 is designed to protect whistleblowers from detriment and unfair dismissal. The people protected by the Act include workers, employees, third party contractor staff, agency workers and work experience workers.
- 1606 There is a balance to be struck between the right of the individual member of staff to speak freely on a range of matters and the right of the Trust or colleagues to protect themselves against false and malicious accusations.
- 1607 As such, the Trust has a whistleblowing policy which details how concerns about malpractice may properly be raised within the Trust and if necessary, outside the Trust. For more information please refer to the Trust Whistleblowing Policy, which is available on request.
- 1608 Students may also have information which should be raised in the public interest and there should be proper procedures in place for them to air their concerns e.g. a students' complaints procedure.