



**The de Ferrers Trust**

# **FINANCE POLICY**

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|----------------------|---------------------|
| Author:              | Director of Finance |
| Approval needed by:  | Board of Directors  |
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## **1. Introduction**

The purpose of this policy is to ensure that The de Ferrers Trust (“the Trust”) maintains and develops systems of financial control which conform to the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of the Trust’s master funding agreement with the Department for Education (DfE).

The Trust must comply with the principles of financial control outlined in the Academies Financial Handbook, published by the Education and Skills Funding Agency (EFSA). This policy expands on that and provides detailed information on the Trust’s accounting systems and procedures. It is vital that this policy is read and understood by all Trust Directors and all staff involved with finance.

The levels of financial authorisation required for different financial transactions are documented in the Trust’s Scheme of Delegation.

Adherence to the principles and procedures contained in this policy is mandatory by all staff.

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## **2. Organisation**

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

### **The Trust Board**

The Trust Board (“the Board”) consists of those individuals appointed as statutory Directors of the company limited by guarantee. Due to the nature of the Trust, these individuals are also the Trustees of the charitable company under charity law. As such, the terms Directors and Trustees can be used interchangeably.

The Board has wide responsibilities under statute, regulations and the master funding agreement. Principally, it is responsible for ensuring that the Trust’s funds are used only in accordance with the law, its Articles of Association, its master funding agreement and this policy. The Board has wide discretion over its use of the Trust’s funds, which it must discharge reasonably and in a way that commands broad public support. It is responsible for the proper stewardship of those funds, including regularity and propriety, and for ensuring economy, efficiency and effectiveness in their use – the three key elements of value for money.

There is one subcommittee of the Board – the Audit and Risk Committee. This committee consists of members of the Board and they are advised by the Chief Executive Officer and the Finance Director.

### **The Audit & Risk Committee**

The Audit & Risk Committee (“the ARC”) is a subcommittee of the Board and is authorised to investigate any activity within its Terms of Reference or that is specifically delegated to it by the Board. It is authorised to request any information it requires from any employee, external audit, internal audit or other assurance provider.

The role of the ARC is:

- To recommend to the Board the appointment or reappointment of the external and internal auditors.
- To review the external audit findings report, including:
  - any major issues that arise during the course of an external audit which have subsequently been resolved;
  - those issues which have been left unresolved including management explanations;
  - key accounting and audit judgements;
  - levels of errors identified during the audit including understanding why those errors might remain unadjusted.
- To review the external auditors’ management letter/internal control recommendations in order to assess whether it is based on a good

understanding of the Trust's business and establish whether recommendations have been acted upon and, if not, to ensure an action plan is put in place to address those points requiring action.

- To focus on providing assurances to the Board that all risks are being adequately identified and managed. In particular, reviewing the risks to internal financial control at the Trust and agreeing a programme of work with the internal auditors to address and provide assurance over those risks.
- To review the Trust's risk management process and assess business risks and the implementation of risk management strategies. In particular, ensuring the process involves identifying the types of risks the Trust faces, scoring and prioritising those risks in terms of their potential operational and financial impact, assessing the likelihood of their occurrence and identifying means of mitigating the risks.

The ARC will make appropriate comments and recommendations on such matters to the Board for ratification.

### **The Chief Executive Officer**

The Chief Executive Office ("the CEO") is the Accounting Officer for the Trust with responsibilities as described in HM Treasury's "Regularity, Propriety and Value for Money".

The Accounting Officer has personal responsibility for the propriety and regularity of the public finances for which he/she is answerable. It must be ensured that, in considering proposals relating to the expenditure of income for which they have responsibility, all relevant financial considerations are taken into account and full regard is given to any issues of propriety or regularity.

The main financial responsibilities of the CEO include:

- Development of the annual budget;
- Development of medium-term financial planning;
- Regular monitoring of actual expenditure and income against budget;
- Ensuring the Annual Report and Financial Statements are prepared in accordance with the requirements of the Companies Act 1985 and the Academies Financial Handbook;
- Ensuring that the regular reports provided to the Board are timely and accurate;
- Authorising payments, orders and award of contracts in line with the approval limits shown in the Scheme of Delegation;
- Authorising changes to the Trust's organisational structure.

### **The Finance Director**

The Finance Director works in close collaboration with the CEO through whom he/she is responsible to the Board.

The main responsibilities of the Finance Director are:

- Management of the Trust's financial position at a strategic and operational level within the framework for financial control determined by the Board;
- Maintenance of effective systems of internal control;
- Ensuring that the Annual Report and Financial Statements are properly presented and adequately supported by the underlying books and records of the Trust;
- Preparation of budgets and medium-term financial plans;
- Ensuring returns to the EFSA and other funding agencies are completed correctly and on time;
- Ensuring returns to statutory agencies are completed;
- Cash flow and treasury management, including managing Trust investments;
- The functional management of the Academy finance teams
- Preparation of monthly management accounts;
- Authorising payments, orders and award of contracts in line with the approval limits shown in the Scheme of Delegation;

### **The Local Governing Bodies**

The Local Governing Body has overall responsibility for the oversight of the administration of their Academy's finances. The main responsibilities of the governing body are prescribed in the Funding Agreement between the academy and the DfE and in the Governing Body's Terms of Reference and they include:

- Review of financial information presented in the KPI document, extracted from the monthly management accounts;
- Review and approve the Academy level risk register and report back to the Finance Director;
- Review of the Academy annual budget.

### **The Academy Principals**

Within the framework of the Development Plans both at Trust and Academy level, the Academy Principals have overall executive responsibility for their Academy's financial activities, including:

- Adherence to the Trust's Finance Policy and the Academies Financial Handbook published by the EFSA;
- Approving new staff appointments within the authorised Academy organisation structure, except for any senior staff posts which the CEO has final approval of appointment;
- Authorising payments, orders and award of contracts in line with the approval limits shown in the Scheme of Delegation;
- Preparing the Academy annual budget in line with timeframes set by the Finance Director;
- Ensuring the delivery of the Academy annual budget as approved by the Board;
- Review and monitoring of the monthly management accounts and other budget holder reports with the Business/Office Manager and acting on overspends or risks.

## **The Academy Finance Managers**

It is envisaged that each Academy will have a Finance Manager, or a person who undertakes that role albeit with a different job title. It is envisaged that this role will be undertaken by the Business Manager in secondary Academies and the Office Manager in primary Academies.

The Finance Managers work in close collaboration with the Finance Director. The main responsibilities of the Finance Managers are:

- Adherence to the Trust's Finance Policy and the Academies Financial Handbook published by the EFSA;
- Day to day management of Academy financial issues;
- Completion of month-end procedures and preparation of monthly management accounts;
- Ensuring that financial controls are working effectively at Academy level;
- Authorising payments, orders and award of contracts in line with the approval limits shown in the Scheme of Delegation.

## **The Internal Auditors**

The Internal Auditors are appointed by the Board (through the ARC) and provide the Board with independent oversight of the financial affairs. The main duties of the Internal Auditors are to provide the Board with independent assurance that:

- The financial responsibilities of the Board 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 when reaching decisions;
- Risks are identified and appropriate actions put in place.

The ARC will appoint the Internal Auditors to undertake a regular programme of reviews at both Academy and Trust level to ensure that financial transactions have been properly processed and that controls are operating effectively. A report of the finding from each visit will be provided to the ARC for review.

## **Other Staff**

Other members of staff (primarily the Trust and Academy Finance teams, the Trust and Academy Leadership teams and other budget holders) will have some financial responsibilities and these are detailed in the following sections of this policy.

All staff are responsible for the security of Trust property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the Trust's Finance Policy.

## **Register of Interests**

It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from the decisions they make. To avoid any misunderstanding that might arise all of the Board, Academy Local Governors as well as Trust and Academy Leadership teams are required to declare any financial interests they have in companies or individuals from which the Trust may purchase or receive goods or services. The register is open to public inspection.

The register should include all employment details, business interests such as directorships, share holdings or other appointments of influence within a business or organisation which may have dealings with the Trust. The disclosures should also include business interests of relatives such as a parent or spouse or business partner where influence could be exerted over a Director or a member of staff by that person.

The existence of a register of business interests does not, of course, detract from the duties of the Board and other staff to declare interests whenever they are relevant to matters being discussed by the Board, Local Governing Body or any other committee. Where an interest has been declared, Directors, Governors and staff should not attend that part of the meeting.

## **Document Retention**

Documents are retained for the following periods of time:

- Finance records – current year plus preceding 6 years;
- Payroll and travel records – current year plus preceding 6 years;
- Personnel records – 7 years after the employee has left;
- All student files until the student reaches the age of 25 years.



### **3. Accounting System**

The Trust uses Civica Resource 32000 (“Civica”) within all of its Academies. All financial transactions of the Trust must be recorded in Civica.

#### **System Access**

Entry to the Civica is password restricted and the Finance Director is responsible for implementing a system which ensures that passwords are changed in line with the data protection policy.

Access to the component parts of the system can also be restricted and the Finance Director is responsible for determining access levels for all members of staff using the system.

#### **Back-up Procedures**

The Finance Director is responsible for ensuring that there are effective back up procedures for the system.

Data is copied to the remote backup server, as part of the general backup of the Trust’s network. This backup is carried out on a daily basis. A duplicate copy is also taken to tape and stored separately from the backup server.

The Finance Director 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 the Board of the major risks to which the Trust/each Academy is exposed and the systems that have been put in place to mitigate those risks.

#### **Transaction Processing**

All transactions input to the accounting system must be authorised in accordance with the procedures specified in this policy.

All journal entries must be documented on a journal input schedule, authorised by the relevant member of the Trust Finance team.

The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are included in the following sections of this policy.

Bank transactions should be input by the Finance Assistant and approved by the Finance Director (for the main Trust bank account) and the Business Manager/Principal (for the Academy imprest accounts) via the monthly bank reconciliation process. This is detailed in the banking procedures section of this policy.

Detailed information on the operation of the Resource 32000 system can be found in the user manuals provided by Civica.

## **Transaction Reports**

The Finance Director will obtain and review system reports to ensure that only regular transactions are posted to the accounting system. The reports obtained and reviewed will include:

- management accounts summarising expenditure and income against budget at nominal ledger level;
- journals report;
- master file amendments to purchase ledger and sales ledger.

## **Reconciliations**

The Trust Finance team are responsible for ensuring the following reconciliations are performed, and that any reconciling or balancing amounts are cleared:

- sales ledger control account (monthly);
- purchase ledger control account (monthly);
- payroll control account (monthly);
- other control accounts;
- suspense accounts (i.e. default expense code) (monthly);
- bank balance per the nominal ledger to the bank statement within 6 working days of the month end;
- petty cash reconciliation (monthly).

Any unusual or long outstanding reconciling items must be brought to the attention of the Finance Director.

## **4. Financial Planning**

The Trust and each Academy prepares both medium-term (three-year) and short-term (annual) financial plans.

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

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

### **Development Plan**

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

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

Each year the Academy Principals (together with relevant Trust team support) will propose a planning cycle and timetable to the governing body which allows for:

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

The timetable will specify the deadlines for the completion of each of the key stages described above. Lead responsibility for the completion of each of the stages will be assigned by the Principal.

The completed development plan will include detailed objectives for the coming academic year and outline objectives for the following two years. The plan should also include the estimated resource costs, both capital and

revenue, associated with each objective and success criteria against which achievement can be measured.

For each objective the lead responsibility for ensuring progress is made towards the objective will be assigned to a member of the leadership team. The responsible manager should monitor performance against the defined success criteria throughout the year and report to the senior leadership team on a regular basis. The senior leadership team will report to the governing body if there is a significant divergence from the agreed plan and will recommend an appropriate course of action.

## **Annual Budget**

The Finance Director is ultimately responsible for preparing and obtaining approval for the Trust annual budget from the Board.

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

The timetable will include:

- The issue of budget templates and preparation guidance to Academy Principals and Finance Managers;
- Preparation time for Academy annual budgets which must be balanced/break even and delivered to the Finance Director for review and consolidation into the Trust annual budget;
- Opportunity for Academy Principals and Finance Managers to meet with the Finance Director to discuss their budget plans;
- Detailed review of all Academy annual budgets by the Finance Director and CEO;
- Preparation of the Trust central division annual budget by the Finance Director and review by the CEO.

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

The Academy budgetary planning process will incorporate the following elements:

- forecasts of the likely number of pupils to estimate the amount of DfE grant receivable;
- 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 base;
- identification of potential efficiency savings and
- review of the main expenditure headings in light of the Academy

development plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes.

### **Balancing the Budget**

It is the responsibility of the Academy Principal to prepare a balanced annual budget. This must be considered in the context of medium term financial planning whereby there may be projects or plans which necessitate a three-year budgeting model to be prepared and agreed with the Board.

Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where cuts can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and expenditure are in balance.

If a potential surplus is identified, this may be allocated to areas of need. Alternatively, discussions can be help with the Finance Director to identify longer term projects and plans for which the Academy can start to “save up” for.

### **Finalising the Budget**

Once the different options and scenarios have been considered, a draft budget should be prepared by the Academy Business/Office Manager and Principal. This should then be submitted to the Finance Director for review before being submitted to the CEO and eventually the Board for approval.

Once approved, the Academy budget should be communicated to all staff with responsibility for budget headings in that Academy so that everyone is aware of the overall budgetary constraints. The Academy Finance Office should maintain a list of all departments and budget holders for their Academy.

The budget should be accompanied by a statement of assumptions and hierarchy of priorities so that if circumstances change, it is easier for all concerned to take remedial action. The budget should be seen as a working document which may need revising throughout the year as circumstances change.

### **Monitoring and Review**

Monthly reports will be prepared by the Trust Finance Team. The reports will detail actual income and expenditure against budget at a summary level for use by:

- Academy Principal;
- Academy Local Governing Bodies via the standard KPI document;
- CEO
- Audit & Risk Committee;
- Board of Directors.

Monitoring and reporting on a departmental budget basis is the responsibility of the Academy Business/Office Manager and the budget holder. Reports are available on the web version of the Civica system via the budget holder statement function.

Any potential overspend against the budget must in the first instance be discussed with the Finance Director. The accounting system will not allow orders to be raised against an overspent budget without the approval of the Finance Director.

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

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## **5. HR and Payroll**

The main elements of the HR and payroll system are:

- staff appointments and organisational changes;
- payroll administration;
- payments; and
- travel and subsistence claims.

### **Staff Appointments and Organisational Changes**

As part of the annual budget setting process, the Board will approve staff budget for the Trust and each Academy.

All permanent/fixed term posts not included in this approved structure/budget can only be recruited to following approval by the Board. In order to gain that approval, the relevant Academy Principal (or the CEO in relation to the Trust central team) will be required to prepare a Recruitment Business Case which ensures adequate budgetary provision exists. This must be reviewed and approved by the Finance Director before being presented to the Board.

All permanent/fixed term posts already included in this approved structure/budget can be recruited to at the relevant Academy's discretion (as and when a vacancy arises). These vacancies should be reported to the Director of HR on a monthly basis.

### **Payroll Administration**

The payroll is currently outsourced and the approval of the Board is required to change these arrangements.

The Trust has a Pay Policy and all changes to pay must be consistent with this. Any variations to the Pay Policy will require the Board's approval.

Overall responsibility for the operation of the payroll provider rests with the Academy Business/Office Manager (and any HR function in the Academy). They must ensure that the payroll provider is informed of any relevant changes in order to ensure accurate payment of salaries (i.e new starters, leaver, changes in personal details, variations, tax code changes, absence or sickness).

All changes to payroll must be authorised at Academy level by the relevant line manager and/or the Academy Principal (or his/her designated HR Lead).

Information must be provided to the payroll provider by the Business/Office Manager of each Academy, in line with the stipulated timetable, in order for the payroll to be processed on time.

The monthly payroll must be reviewed and checked by the Business/Office Manager of each Academy to ensure that gross pay is correct and any requested changed actioned. When completed, the monthly payroll is

approved by the Business/Office Manager and the Academy Principal via the monthly payroll approval form which is submitted to the Finance Director.

The Finance Director will carry out high level checks on the total Trust payroll.

Severance payments up to £50,000 must be approved by the CEO. Severance payments over £50,000 require approval by the Board and the EFSA.

## **Payments**

All salary payments to staff are made by BACS by the payroll provider from the main Trust bank account.

Once the Finance Director is satisfied with the Academy level payroll approval, he/she will provide payroll details to the CEO and together they will approve the payroll for payment. At that point, a BACS transmission can be prepared by the payroll provider.

The calculation of gross to net pay is delegated to the payroll provider and checks are carried out by the Academies (and by the Finance Director) to ensure the system is operating correctly.

Once the payroll has been processed and paid, the nominal ledger will be updated by the Trust Finance team via a payroll journal. Postings will be made to the payroll control account and to individual cost centres and nominal codes in the accounting system.

The payroll control accounts are reviewed and reconciled on a monthly basis by the Trust Finance team.

## **Travel and Subsistence Claims**

Travel costs in excess of the normal home-to-work journey will be reimbursed to staff travelling for training or other business purposes. Reimbursement will be equivalent to the cost of public transport or a mileage allowance (at the maximum rate approved by HMRC without incurring a tax liability, currently 45p per mile), whichever is lower.

All expense claims must be approved by the relevant line manager and submitted to the Academy Finance office for checking and processing for payment.

For business involving an overnight stay – accommodation and subsistence costs will be reimbursed on the completion of an appropriate claim form and presentation of receipts for the claim being made. Every effort should be made to ensure value for money.

## **6. Purchasing**

The Trust wants to achieve the best value for money from all purchases. This



means obtaining what is needed at the correct quality, quantity and time for the best price possible. A large proportion of purchases are paid for with public funds and the Trust needs to maintain the integrity of these funds by following the general principles of:

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

## **Routine Purchasing**

Budget holders will be informed of the budget available to them at the start of the academic year. It is the responsibility of the budget holder to manage the budget (working with their Academy Business/Office Manager), to ensure that the funds available are not overspent and to ensure that expenditure is consistent with the objectives of that Academy and the Trust.

Budget holders have on-line access to the web version of the Civica system, where the Budget Holder statements provide information on both actual expenditure against budget, and outstanding commitments (orders placed but not yet invoiced). In addition, the Academy Finance Office should supply a print detailing actual expenditure and outstanding commitments against budget to each budget holder at least once a term.

Appropriate authorisation limits for the ordering of goods and services are reviewed annually and approved by the Board via the Scheme of Delegation.

Routine purchases can be ordered by budget holders, within their available budget, and as documented in the Scheme of Delegation. In the first instance a supplier should be chosen from the list of approved suppliers maintained in the Civica system. A quote or price should always be obtained before any order is placed, but there will be exceptions to this (e.g. emergency call-out for premises issues). If the budget holder considers that better value for money can be obtained by ordering from a supplier not on the approved supplier list the reasons for this decision must be discussed and agreed with the Trust Finance team and a new supplier requisition form completed.

Supplier details are maintained on the Civica system by the Trust Finance team. Given that most suppliers are paid by BACS, it is essential that the Trust holds accurate bank account details for its suppliers. Therefore all changes to bank details made by the Trust Finance team must be documented and approved by the Finance Director. Exception reports are run and reviewed by the Finance Director on a regular basis to highlight changes made to the supplier database.

Orders should be placed by raising a requisition via the Civica web system. Requisitions placed using this system must be authorised on-line by the budget holder (see separate workflow available in user manuals).

If it is not possible for requisitions to be placed by the budget holder on the Civica web system, they can be requested using the office order form (stocks of which should be available in each Academy Finance Office). These order forms should bear the signature of the budget holder and be forwarded to the Academy Finance Office for processing. They should be retained and filed in supplier order.

Whichever method of ordering is used, Civica checks that adequate budgetary provision exists before the order can be approved. The system allocates a unique reference number to each order. Orders are then dispatched to the supplier via email (or post where no email address is provided).

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 discussed with the supplier of the goods without delay.

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

It is necessary to take the principles of best value into account at all times, although this not necessary the lowest cost. An explanation will need to be provided when the lowest quotation or tender is not accepted.

### **E-procurement**

Occasionally, Academy level debit cards will be used to purchase items where it is not possible to order through normal procedure. Any department wishing to make a purchase using the debit card must complete an official order form in the usual manner. This must be signed by the budget holder and the debit card holder (usually Business/Office Manager of Principal).

### **Forms of Tenders**

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

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

tender. Restricted tenders are appropriate where:

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

### **Preparation for Tender**

Full consideration should be given to:

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

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

### **Invitation to Tender**

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

An invitation to tender should include the following:

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

### **Aspects to Consider**

#### ***Financial***

- Like should be compared with like and if a lower price means a reduced service or lower quality this must be borne in mind when reaching a decision.

- Care should be taken to ensure that the tender price is the total price and that there are no hidden or extra costs.
- Is there scope for negotiation?

### ***Technical/Suitability***

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

### ***Other Considerations***

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

### **Tender Acceptance Procedures**

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

### **Tender Opening Procedures**

All tenders submitted should be opened at the same time and the tender details should be recorded. Two persons should be present for the opening of tenders as specified in the Scheme of Delegation.

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

### **Tendering Procedures**

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

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

Full records should be kept of all criteria used for evaluation and for contracts over the values specified in the Scheme of Delegation, a report should be prepared for the Finance and Premises Committee / Governing Body, highlighting the relevant issues and recommending a decision.

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

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

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## **7. Income**

The main sources of income for the Trust are the grants from the DfE. The receipt of these sums is monitored directly by the Finance Director who is responsible for ensuring that all grants due to the Trust are collected.

The Trust also obtains grants and income from:

- Local authorities for Special Educational Needs (SEN) and Looked After Children (LAC) students;
- students, mainly for educational visits; and
- the public, mainly for hire of Academy facilities.

### **Educational Visits**

A lead teacher must be appointed for each trip to take responsibility for the collection of sums due. The appointment must be approved by the Educational Visits Coordinator (EVC).

The lead teacher must prepare a record for each student intending to go on the trip showing the amount due. A copy of the record must be provided to the Academy Finance Office in order for a budget to be set up for the trip.

Students should make payments via the online system prevalent in the Academy (Wisepay) or to the lead teacher via cheque or cash. The lead teacher must maintain record of receipts and expenditure and identify any financial risks arising to the Academy Finance Office as soon as they come to light. The Academy Finance Office can provide the lead teacher with a schedule of payments received from student via online systems on request.

A reconciliation will be completed by the Academy Finance Team when all income and expenditure is received. Any surplus will be redistributed to students in line with the Charging and Remissions Policy.

If the Academy decides to subsidise the visit the amount of the subsidy must be approved by the relevant budget holder and EVC in advance of bookings being made.

### **Lettings of Academy Facilities**

The letting and hire of Academy facilities will be conducted in line with the Lettings Policy for each Academy, which includes a scale of charges that is reviewed annually.

Details of new organisations using the facilities should be sent by the Academy to the Trust Finance Team who will establish a sales ledger account for a new “customer”.

Sales invoices for lettings of Academy facilities should be raised using Civica on a monthly basis and sent out to customers via email or post.

## **Custody**

Monies collected should be held securely in the Academy Finance Office safe and be banked and reconciled promptly.

Official Academy receipts should be issued for all cash received to safeguard staff and students.

## **Bad Debts**

Aged debtor reports should be reviewed each month and monies due chased by the relevant Academy Finance Team. Those that have not paid within 30 days of an invoice being issued should be contacted by telephone or letter.

If a debt remains unrecoverable after 6 months, or if it becomes clear that the debt will not be repaid, the Academy Business/Office Manager must submit a report to the Finance Director for approval of its write off in line with the limits set out in the Scheme of Delegation.

## **VAT Registration and Reclaim**

The Trust is not currently VAT registered. As such, input VAT is reclaimed via submission of a VAT 126 form to HMRC on a monthly basis.

The Trust Finance Team complete a VAT reconciliation each month and then prepare the backing schedules for the VAT 126 form. This is submitted to the Finance Director who reviews and approves before signing the VAT 126 form and submitting to HMRC for reimbursement.

Since the Trust not VAT registered, it does not need to charge output VAT on sales invoices raised.

The Finance Director is responsible for reviewing the trading position of the Trust as whole to ensure that VAT registration is not required. As and when relevant levels are breach, registration with HMRC for VAT purposes should be undertaken.

## **8. Cash Management**

### **Bank Accounts**

The opening of all accounts must be authorised by the CEO and Finance Director. The arrangements for controlling the operation of the Trust's bank accounts are documented in the academy's Scheme of Delegation.

### **Deposits**

All deposits should be made into the main Trust bank account using paying in books provided by the Trust Finance Team. Particulars of any deposit must be entered on a paying-in slip. The details should include:

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

The particulars of the deposit are then recorded in the Cash Book within the Civica system.

### **Payments and withdrawals**

All BACS, cheques and other instruments authorising withdrawal from Trust bank accounts must be authorised as documented in the Scheme of Delegation.

The Finance Director and Business Support Officer have debit cards for the main Trust bank account. Debit cards are permitted for Academy level imprest bank accounts in the name of the Principals and/or the Business/Office Manager. These debit cards allow for the withdrawal of cash for petty cash disbursements together with emergency purchases/e-procurement. The supporting receipts for such cash withdrawals and purchases must be retained and are verified as part of the regular bank reconciliation.

This provision applies to all accounts, public or private, operated by or on behalf of the Board and is detailed in the Trust bank mandate. Authorised signatories must not sign a cheque relating to goods or services for which they have also authorised the expenditure.

Where an authorised signatory signed a BACS payment or cheque that includes a personal reimbursement, the Finance Director must countersign the payroll. No authorised signatory should ever sign a cheque made payable to them personally.

### **Administration**

All bank accounts must be reconciled monthly within 6 working days of the month end.

The main Trust bank account is reconciled by the Business Support Officer and approved by the Finance Director.



The Academy level imprest accounts should be reconciled by the Academy Finance Team and approved by someone independent to the performance of that reconciliation. In the secondary phase it is expected that the approval will be carried out by the Academy Business Manager. In the primary phase, segregation of duties is more difficult and so it is expected that the reconciliation will be prepared by the Academy Office Manager and approved by the Academy Principal.

All reconciliation processes should be recorded using the reconciliation sign off sheet.

The Finance Director will periodically check Academy level bank reconciliations.

### **Petty Cash Accounts**

The use of petty cash is discouraged across the Trust with the focus being on moving towards a true cashless Trust.

Where an Academy requires petty cash, it should maintain a maximum cash balance of £250. The cash is administered by the Academy Finance Team and is kept in a safe in the Academy Finance Office.

The only deposits to petty cash should be from cash withdrawal via debit card or cheques cashed specifically for that purpose from the Academy imprest bank account. The receipt should be recorded in the petty cash system with the date, amount and reference (cheque number) relating to that payment. All other cash receipts (for whatever reason) should be paid directly into the main Trust bank account.

In the interests of security, petty cash payments should be limited to £20. Higher value payments should be made by cheque or BACS through the appropriate procurement procedure. VAT receipts are required for all petty cash claims.

Academy Finance Teams are responsible for entering all petty cash transactions into the Cash Book on Civica on a monthly basis. Monthly petty cash records should be reconciled and approved in the same way as the Academy imprest account.

### **Cash Flow Forecasts**

The Finance Director is responsible for preparing 12 month rolling cash flow forecasts to ensure that the Trust has sufficient funds available to pay for day to day operations. If significant balances can be foreseen, steps should be taken to invest the extra funds. Similarly plans should be made to transfer funds from another bank account to cover potential cash shortages in the current account.

## **Investments**

Investments must be made only in accordance with written procedures approved by the Board.

All investments must be 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.

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## **9. Fixed assets**

### **Asset register**

All items purchased with a value over the Trust's capitalisation limit of £5,000 must be entered in an asset register. The asset register should include the following information:

- asset description
- asset number
- date of acquisition
- asset cost
- expected useful economic life
- depreciation
- current book value
- location
- name of department responsible for the asset

The Asset Register helps:

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

### **Depreciation**

The Trust will depreciate fixed assets in line with recognised accounting standard, best practice and DfE guidelines.

Depreciation is provided on all tangible fixed assets other than freehold land, so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold buildings – 50 years

Leasehold land and buildings – 30 years and 120 years

Computer equipment – 4 years

Fixtures, fittings and equipment – 10 years.

Depreciation is not charged on assets in the course of construction until they are brought into use.

### **Security of Assets**

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

All the items in the register should be permanently and visibly marked as the Trust's property and there should be a regular (at least annual) count by someone other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to the Finance Director.

Damaged or stolen Trust assets should also be reported. Upon discovery of a theft or destruction, the individual/department must notify the Academy Principal and (if necessary) the police to obtain a crime number. The incident must be investigated promptly and, where significant, reported to the Finance Director. Where an individual is found to have been negligent in any way, disciplinary action may be taken.

Inventories of Academy property should be kept up to date and reviewed regularly. Where items are used by the Trust but do not belong to it this should be noted.

### **Disposals**

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

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

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

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

### **Loan of Assets**

With the exception of staff laptops and staff/student iPads, items of Trust property must not be removed from Academy premises without the authority of the Academy Principal. A record of the loan must be recorded and booked back into the academy when it is returned.

The issue of laptops and iPads to individual members of staff and students must be recorded by that Academy.

If assets are on loan for extended periods or to a single member of staff on a regular basis the situation may give rise to a 'benefit-in-kind' for taxation purposes. Loans should therefore be kept under review and any potential benefits discussed with the Trust's auditors.

## **Leases**

The Trust is able to enter into operating leases as outlined in the Academies Financial Handbook.

Finance leases are classed as borrowings and can only be entered into with the specific authority of the EFSA.

All leases must have prior approval by the CEO and Finance Director before being agreed.

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## 10. Month End Procedures

Month end procedures must be carried out by each Academy in line with the table below to enable timely preparation of the management accounts (both Academy level and whole Trust).

Month end = the last working day of each month.

| Procedure  | Responsibility                                      |
|--|---|
| <p>During each month, finance staff should endeavour to ensure that purchase invoices are posted to Civica in a timely fashion to enable prompt payment of invoices within relevant terms and to ensure that costs are allocated to the correct period of account (month).</p> <p>It is Academy level responsibility to ensure that invoices are adequately approved for payment by budget holders via the web portal.</p> | Academy   |
| <p><u>Bank accounts and petty cash</u><br/>Academy level imprest bank account and petty cash to be reconciled and approved.</p> <p>Trust bank account to be reconciled and approved by FD.</p>   | <p>Academy (by fourth working day)</p> <p>Trust</p> |
| <p><u>Sales ledger</u><br/>Sales invoices to be raised and issued to customers.</p> <p>Detailed review of aged debts carried out and old debts chased.</p> <p>Trust overview of aged debts carried out and queries raised to Academies.</p>  | <p>Academy</p> <p>Academy</p> <p>Trust</p>          |

|  |  |
|--|--|
| <p><u>Purchase ledger</u><br/> Identification to the Trust of necessary accruals or prepayments (see separate guidance below) including detailed review of commitments outstanding.</p> <p>Review of proposed accruals and prepayments and processing of journals.</p> <p>Posting of current month charges against annual commitments entered onto Civica to reduce outstanding commitment (i.e. energy, rates, annual SLA's).</p> | <p>Academy</p> <p>Trust</p> <p>Academy</p> |
| <p><u>Payroll</u><br/> Posting of Trust-wide payroll journal.</p>  | <p>Trust</p>                               |
| <p><u>Additional income</u><br/> Reporting of expected additional income (not included in approved budget) to the Trust (i.e. additional SEN, other grants awarded).</p> <p>Posting of grant income received for all Academies.</p>  | <p>Academy</p> <p>Trust</p>                |
| <p><u>Journals</u><br/> Identification to the Trust of any journals required. For example:</p> <ul style="list-style-type: none"> <li>- To correct incorrect postings</li> <li>- Cross Trust charges (must be approved in advance).</li> </ul> <p>Review of proposed journals and processing of those journals.</p>  | <p>Academy</p> <p>Trust</p>                |

|  |         |
|--|---------|
| <p><u>Budget changes</u><br/> Identification to the Trust of any budget changes needed.<br/> For example:</p> <ul style="list-style-type: none"> <li>- Virement of budget (must be approved in line with Scheme of Delegation)</li> <li>- Flexing of budget for additional income received (in line with record of additional expected income).</li> </ul> | Academy |
| Review of proposed budget changes and processing of relevant budget journals.  | Trust   |

### **Guidance on accruals and prepayments**

Accruals: where goods and/or services have been provided during the month but no invoice has yet been received and as such no expenditure recognised in that month. In this case, a journal may need to be processed (by the Trust) to accrue for the relevant expenditure.

Prepayments: where an invoice has been received (and processed) in advance of the goods and/or service being provided or where the invoice relates to a service which spans a specific period (i.e. a licence which lasts for 12 months). In these cases, a journal may need to be processed (by the Trust) to treat the expenditure as a prepayment and defer some of the cost into the relevant month(s).

In order to identify accruals and prepayments to the Trust:

- Consider each invoice as it is posted to the system. If it relates to goods and/or services not yet provided make a note of it for reporting to the Trust at month end.
- Run a commitments report as part Academy level month end procedures and identify commitments whereby the goods and/or services have been provided during the month but no invoice has yet been received.

### **Reporting timetable**

The Trust aims to provide Academy Principals with draft management accounts by the tenth working day following the month end, each month. In order to achieve this, all Academy level month end procedures (with the exception of bank accounts and petty cash) must be complete and reported to the Trust by the fifth working day following month end. As noted above, bank accounts and petty cash must be fully reconciled by the fourth working day of the month.

By the sixth working day of each month, the ledgers on Civica will have been rolled forwards and the current period will be active.



A separate month end close down timetable will be provided by the Trust.

A month end checklist will also be provided by the Trust which must be completed by each Academy in line with the timetable. This checklist must be signed off by the Principal once complete.

### **Management account process**

The Director of Finance will download and review management accounts information, process journals and adjustments as necessary and then formulate draft management accounts reports for distribution to Academy Principals (and Finance teams).

The draft management accounts report will include any queries the Director of Finance has in relation to the results for the month and year to date, together with any comments on budget or forecast.

The Principal must review the report provided and the queries raised and respond to the Director of Finance in a timely manner to enable swift finalisation of the management accounts.

Once finalised, the management accounts can be used by the Academy for distribution to Leadership Teams and for inclusion in the KPI document for the Governing Body.

The Director of Finance will distribute the management accounts to relevant members of the Trust Leadership Team.