



# Financial Procedures Manual

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## Introduction

1. The purpose of this manual is to ensure that the Trust maintains and develops a financial control framework, which recognises public expectations about governance, standards and openness and represents sound financial management. It is essential that the financial systems operate properly to meet the requirements of our funding agreement with the Secretary of State for Education, through the Education, Skills and Funding Agency (ESFA)
2. The Trust must comply with the principles of financial control outlined in the ESFA Academies Financial Handbook, as updated from time to time. This manual expands on that and provides detailed information on the Trust's accounting procedures. The manual should be read in line with the schools mandated training policy. This manual serves as an adjunct to the Yorkshire Endeavour Academy Trust scheme of delegation providing information on the day-to-day operations and practicalities of administering delegated financial powers.

### The Seven Principles of Public Life – the Nolan Principles

The Public Standards Committee has set out 'Seven Principles of Public Life' which it believes should apply to all in the public service. These are:

3. **Selflessness:** Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
4. **Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
5. **Objectivity:** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
6. **Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
7. **Openness:** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
8. **Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
9. **Leadership:** Holders of public office should promote and support these principles by leadership and example.

Local Governing Bodies, the **Board of Directors** and those who have decision making powers

should adopt these principles, recognise their importance and uphold them at all times.

## Financial Planning

10. Each Academy in the Trust prepares its own 3 year budget, with support from MAT finance staff where required. Each budget is submitted to the **Board of Directors** in the first half of the summer term.

### The budget cycle

11. The budget cycle in an academic year is as follows:
  - Autumn term (Sept – Dec)
    - Implementation of current budget plan
    - Monitoring expenditure (continuous-monthly)
    - Reconciliation and closure of previous financial year
  - Spring term (Jan – Mar)
    - Monitoring and Reviewing of year's budget
    - Revised Budget where appropriate
    - Pre-planning new financial year
  - Summer term (Apr – Aug)
    - Planning for forthcoming year
    - Preparation and submission of financial budget plan
    - Review of current year's budget

All requirements of the ESFA, will be taken into account in preparing and submitting the budget.

### Budget

12. In each school the **Headteacher** and School Business Manager (where applicable) are jointly responsible for preparing and obtaining approval for the annual budget and three year budget forecast. They will be assisted, where necessary by the **Trust Finance Team**. The budget must be approved by the **Local Governing Body (LGB)** before being submitted to the **Board of Directors** in the first half of the summer term. The **Board of Directors** will adhere to the Scheme of Delegation in the approval process.
13. The annual budget and three year forecast will reflect the best estimate of the resources available to the academy for the forthcoming years and will detail how those resources are to be utilised. There should be a clear link between the development plan objectives/school improvement plans and the budgeted utilisation of resources.
14. The budgetary planning process will incorporate the following elements:
  - forecasts of the likely number of pupils to estimate the amount of General Annual Grant (this should take into account trends in recent years and any other pertinent developments)
  - latest estimate of other, non-GAG, ESFA funding
  - review of other income sources available to the academy to assess likely level of

- receipts
  - review of past performance against budgets to promote an understanding of the academy cost
  - identification of potential efficiency savings
  - review of the main expenditure headings in light of the development plan objectives and the expected variations in cost e.g. pay increases, pension and NI changes, inflation and other anticipated changes
  - all carry forward balances
  - any unspent grants from the previous financial year
  - the reserves policy and balance of reserves
15. Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where cuts can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and expenditure are in balance. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need in accordance with the Development Plan.
16. The approved budgets are then entered onto the finance system at the start of the new financial year.
17. If, during the year, any individual school's overall financial position reflects >8% adverse variance from budget this will be escalated to the **Accounting Officer (CEO of the MAT)** as part of the monthly management accounts procedure.

### **Other Government Funding**

18. In addition to GAG funding from ESFA the trust may be awarded specific funding for other projects. This funding may be from the Department for Education or Local Authority. All government funding will be spent in accordance with the terms and conditions imposed, where applicable, accurately recorded as restricted income and included in the annual external audit.

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

19. In addition to funding from the ESFA the school or MAT may be awarded additional grants from time to time relating to specific projects e.g. Sport England Funding, Football Foundation Funding, Charitable Grants etc. All applications for additional external funding over £5000 in value must be approved and supported by the **Accounting Officer**. Any applications for additional funding over £50,000 must be approved by the **Board of Directors**. All external funding and grants will be spent in accordance with the terms and conditions imposed, accurately recorded as income specific to a certain project and audited externally annually. At the time of approval the **Board of Directors** will stipulate how the terms of the specific project are to be adhered to and who is responsible for monitoring the income and expenditure.
20. Where the MAT receives a formulaic allocation of capital funds a fair, open and

transparent process will be maintained for the allocation of those funds to individual schools. This will involve School **Headteachers** and Local Governing Bodies, who will have the opportunity to make representations to the Board in connection with the physical needs of their schools. Any allocation will be subject to the capital reserves policy of the Trust.

### “School Funds”

21. Where funds are held separately in ‘school fund’ accounts, which pre-date the school joining the Trust, these funds must have separate controls, separate financial systems and be separately audited. The cost of the audit must be paid from the fund itself and there must be a separate constitution setting out who controls the fund. Any additional amounts added to the fund after the school joins the Trust must be raised predominantly by volunteers (e.g. by a PTFA or similar) or must represent specific donations e.g. by individuals where there is a stipulation that sum should be held separately from the main school accounts. Any grants or donations awarded to the school itself should be placed in the main school account and not the school fund.
22. If a separate bank account is used for funds relating to school trips, all financial transactions relating to that account should be integrated into the school financial systems and it should be included in the external and internal audit of the Trust.

### Virements

23. Virements (transfers of budget from one category of income/expenditure to another) shall be approved and minuted by the **LGB** and should be within the agreed criteria and financial limits. Where the **LGB** chooses to delegate authority to vire to the **Headteacher**, they should ratify any changes at the next Governing Body Meeting
24. The **LGB** of each school is given delegated power to vire from one budget to another where the amount in question is below £20,000. Between £20,000 and £50,000 virements must be approved by the **Accounting Officer**. Above £50,000 they shall be subject to approval by the **Board of Directors**.

### Budget Forecast Return

25. The approved budget must be submitted to the ESFA by 31<sup>st</sup> July each year by **the Finance Director**. They are also responsible for establishing a timetable, which allows sufficient time for the approval process and ensures that the submission date is met.
26. The Budget Forecast Return Outturn report, which states March actual balances and re-forecasts the outturn for the current year, must also be submitted to the ESFA by the middle of May. The **Chief Finance Officer** is responsible for this submission.

### Monitoring and review (including management accounts)

27. Monthly budget monitoring reports must be prepared for each school by their **Business Manager** (where applicable) or the **Trust Finance Team**. The reports should include:

- actual income and expenditure against budget, with variance
  - cash flow monitoring
  - one page summary highlighting and explaining variances of at least 5% or £10,000 (whichever is smaller) in any category of expenditure
28. Any potential overspend against the overall budget must in the first instance be discussed with **the Finance Director**

## Independent checking procedures

29. The **Accounting Officer** and Audit Committee of the **Board of Directors** shall appoint an **internal auditor** to carry out a programme of work each year which delivers assurance that the system of internal control, as outlined in this document, is operating effectively.

## Review of regularity

30. The **Accounting Officer** reviews the management accounts monthly and LGB minutes termly and meets with the **Headteacher** and Business Manager (where applicable) of each school to review the operation of delegated responsibilities.
31. The **Accounting Officer** has delegated the following responsibilities to **The Headteacher of each school**:
- adherence to tendering policies
  - confirming that transactions are in line with delegated authorities as set out by the Academies Financial Handbook
  - value for money practice
  - compliance against the scheme of delegation
  - compliance with rules around connected party transactions
32. The meetings are minuted.

## Annual accounts

33. The academy trust must prepare annual audited financial statements for the accounting period to 31 August.
34. The accounts are finalised by **Clive Owen** external Chartered Accountants, with preparation and support from the **Chief Finance Officer**.
35. The accounts are then submitted as follows:
- by 31 December – to ESFA
  - by 31 January – published on our own website
  - by 31 May – to Companies House



## Value for money statement

36. As part of the annual accounts the trust must include 3 focussed examples of value for money.
37. The **Finance Team** and **Clive Owen** are responsible for collating the examples, with input from individual schools, which are then confirmed by the Audit Committee of the **Board of Directors**.

## Audit arrangements

38. External auditors must be appointed in accordance with the Academies Financial Handbook.
39. The **Chief Finance Officer** is responsible for managing the audit process, by liaising with **Clive Owen** auditors, arranging the timetable for accounts and audit completion and, ensuring deadlines are met.

## Work undertaken during accounting period

40. The **Accounting Officer** and **Chief Finance Officer** are responsible for the following tasks to be undertaken during the year to facilitate a smooth audit process:
  - supporting schools in maintaining a fixed asset register
  - checking accurate filing of records related to income and expenditure
  - checking and support control account reconciliations (bank, salaries , debtors, creditors)
  - checking for and reviewing connected party transactions
41. The **Clerk to the Governors (or Company Secretary for the Board of Directors)** is responsible for maintaining a record of meeting attendance, pecuniary interests, conflicts of interest and potential connected party transactions.

## Work undertaken for the year end

42. The **Chief Finance Officer** is responsible for ensuring the following tasks to be undertaken at the end of the year to facilitate a smooth audit process:
  - stock take, if required
  - reviewing aged debtors for any provisions required
  - depreciation charges
  - prepayments and accruals adjustments
  - control account reconciliations (bank, wages, debtors, creditors)
  - close down of the financial systems
  - Requesting LGPS valuations
  - pension audit (summer term)

## Accounts Return

43. The Trust must prepare an annual accounts return for the accounting period to 31 August, which is submitted to the ESFA by 19<sup>th</sup> January.
44. The accounts return is prepared by **Clive Owen** external auditors.

## Document retention

45. Finance records, including payroll are retained for the current year plus preceding 6 years

## Accounting system

46. All the financial transactions of the academy trust must be recorded in the computerised financial information accounting system, to which all schools in the Trust have access.

## System Access

47. Access to the system is password restricted and access is limited to those authorised by **the Chief Finance Officer**.
48. The **IT Technician** is responsible for implementing a system which ensures that passwords are changed regularly and that only authorised staff have access to the system.

## Back-up Procedures

49. The **IT Technician** is responsible for ensuring that there is an effective back up procedure for the system. Data is backed up on a local server and also to a cloud based system.

## Transaction processing

50. All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual
51. All journals should be available for external review. A file should be retained by each school with evidence of the journal and any supporting paperwork and approvals.
52. Bank transactions are input by **authorised finance staff**.

## Reconciliations

53. The **Chief Finance Officer** is responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:
  - purchase ledger control account
  - all suspense accounts

- bank balance per the nominal ledger to the bank statement
54. The **Chief Finance Officer** reviews the VAT control account and payroll control account.
55. A **Headteacher** must sign all reconciliations reviewed, as evidence.
56. Any unusual or long outstanding items are brought to the attention of the **Chief Finance Officer** and the relevant school **Headteacher** and dealt with according to the bad debt limits in this manual.

## Cash Management

### Bank Accounts

57. The following procedures must be followed when opening a bank account and operating it:
- the Trust is responsible for selecting the banking institution and negotiating the terms and conditions
  - the Directors must authorise the opening of all bank accounts
  - the **Headteacher** of each school will ensure that in the event of changes to key personnel or governors, signatories will be changed immediately and the bank notified. Any on-line access to banking will also be removed
  - terms of arrangements, including cheque signatories or BACS authorisations and the operation of the accounts must be formally recorded and agreement minuted
  - the **Headteacher** of each school must ensure there are sufficient funds to cover large payments

### Deposits

58. A deposit must be entered on a copy paying-in slip and listed on the relevant school Income Record with the following details:
- the amount of the deposit
  - a reference (for example the number of the paying in book slip)
59. Authorised finance staff are responsible for updating the accounting system (within 7 working days of receipt) for deposits placed.

### Payments and withdrawals

60. All cheques and other instruments authorising withdrawal from academy bank accounts must bear the signatures of two authorised signatories, or be otherwise approved by two signatories through a secure electronic process.
61. This provision applies to all accounts, public or private, operated by or on behalf of the Trust including funds held in trust.
62. Authorised finance staff are responsible for updating the accounting system (within 10 working days) for payments issued.

## Administration

63. The Trust **Chief Finance Officer** ensures bank statements are received regularly and that reconciliations are performed at least on a monthly basis. Reconciliation procedures must ensure that:
- all bank accounts are reconciled to the academy's cash book
  - reconciliations are prepared and accurate
  - reconciliations are subject to an independent monthly review carried out by a **Headteacher**.
  - adjustments arising are dealt with promptly

## Payments

64. In the interests of security, reimbursement payments are limited to £150. Payments are made on production of a valid VAT receipt and completion of a Reimbursement Claim Form, and are subject to the same authorisation procedures as purchases from the main bank account.

## E-procurement & Payments

65. Where schools or budget holders have a credit card or procurement card this is used only when it is not practical to use the purchase order/BACS payment system. It is used mostly for internet purchases or shop purchases.
66. Where a card is shared by a finance office this will be kept in the safe and its usage controlled and recorded in each instance. Where it is held by a named individual (e.g. **Headteacher**) he or she is to ensure it is kept securely and with due care and diligence. A VAT receipt is obtained for each purchase and completion of a Monthly Charge Card Expense form, both are sent to the Finance Team, promptly, on receipt of the Charge Card monthly statement.
67. Any other budget holder wishing to make a purchase on a shared credit card must complete an order form and pass it to the person authorised to use the card. All purchases must have accompanying evidence of approval by the relevant budget holder.
68. The credit/procurement card statement, along with all the relevant order forms and receipts are then given to the **Headteacher** who will check the statement and sign to evidence approval, before sending to the Finance Team.
69. The balance outstanding on each card must be paid in full each month.
70. To reduce the risk of fraud, in the case of individual card holders, the LGB should appoint an individual Governor to be available on request to complete a termly review of procurement card transactions ensuring all purchases are for the school itself and in no circumstances used for other purposes.
71. The maximum monthly charge card balance should be limited in line with the school's Scheme of Delegation

## BACS Payments

72. On receipt of an invoice, the budget holder signs or electronically approves the invoice, to signify:
- an official purchase order has been raised for the purchase
  - the delivery note has been checked
  - the delivery is of correct quantity, quality and price
  - it has not been previously paid
  - funds are available in the relevant budget
  - VAT chargeability on qualifying expenditure is shown
73. The payment is then prepared and the BACS payment then passes it on to two of the cheque signatories who ensures that the bank and sort codes have been correctly entered and approves payment.
74. Normally, BACS payments are processed within a month of receipt of the invoice.
75. The authorised staff in each school ensure that evidence is kept of the employment status test criteria applied, when dealing with payments to individuals. Where an individual has been assessed as self-employed, the staff should request that the individual states his or her self-assessment tax reference number on any invoice issued to the school.

## Investments

76. Investments are made in accordance with written procedures approved by the **LGB**
77. All investments are recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

## Reserves

### Revenue Reserves

78. Any overall surpluses or deficits at the end of the year are carried over to the following year.
79. The **CEO as Accounting Officer** must inform ESFA immediately if a deficit is anticipated for the Trust as a whole.
80. If a school in the Trust anticipating a deficit at the end of any financial year, the **Headteacher** has a responsibility to ensure action is taken at the earliest opportunity to address this issue. If the Trust as a whole anticipates a deficit the Directors must ensure that a recovery plan is submitted and approved by the ESFA.
81. If any school in the Trust has a large surplus (e.g. exceeding 12% of its GAG allocation),

the **Board of Directors** should ensure that the reason for retaining such a surplus is fully articulated and documented (e.g. future spending plans or anticipated downturn in funding)

82. The Trust aims to ensure that an overall contingency reserve of 8% of the previous year's total GAG is in place each year for each school.

### **Capital Reserves**

83. Any overall surpluses at the end of the year are carried over to the following year.
84. It is the responsibility of **the Headteacher** of each school to keep accurate records of capital funds, especially where grants have been received for capital projects.

## **Payroll**

### **Staff Appointments**

85. The delegated powers of appointment of staff in each school are set out in the Trust's Scheme of Delegation.

### **Payroll Administration**

86. Payroll is administered through a Trust payroll provider (NYCC).
87. All staff are paid monthly. An electronic record is created for each employee including:
- salary
  - bank account details
  - taxation details
  - personal details
  - any deductions or allowances payable
  - other legal and relevant details
88. New payroll records can only be created by the **Payroll Officer, Head's admin staff, or Finance Staff** with the authorisation of the **Headteacher or Accounting Officer**. Any payroll records amendments must have relevant supporting documentation and, where they have a financial impact (e.g. hours, salary, new contracts), the changes must be reviewed by the **Chief Finance Officer, or Accounting Officer**.
89. The **Headteacher or Administrator** must notify the Trust **Payroll Officer (NYCC) and Chief Finance Officer** of all appointments, terminations and absences without delay, using the relevant Trust HR procedures as amended from time to time.
90. Monthly Timesheets for additional hours, temporary work or overtime undertaken are completed by administration and authorised by the Headteacher at each school. The Monthly Timesheets are then sent to Employment Support (NYCC) and a copy is put on SharePoint for the Finance Team.

91. Each year the **Payroll Provider (NYCC)** will agree, prepare and distribute a timetable for payroll and pension processing specifying key dates for each month of the year.

## **Payments**

92. Before payments are dispatched a printout of all data should be obtained, including an exceptions report, and this must be checked against source documentation by the **Chief Finance Officer**.
93. All salary payments are made by BACS.
94. The **Payroll Provider** prepares a reconciliation between the current month's and the previous month's gross salary payments showing adjustments made for new appointments, resignations, pay increases etc. This reconciliation is reviewed by the **Chief Finance Officer**.
95. The **Payroll Provider** calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions. The amounts payable are paid over by BACS for each relevant due date.
96. After the payroll has been processed the nominal ledger will be updated, by the **Chief Finance Officer**, and all cross charging to schools carried out. Postings will be made both to the payroll control account and to individual cost centres. The relevant **Headteacher** should review the payroll control account each month to ensure the correct amount has been posted from the payroll system, individual cost centres have been correctly updated and to identify any amounts posted to the suspense account.
97. Annually, the **Payroll Provider** should check for each member of staff that the gross pay per the payroll system agrees to the contract of employment held on the budget file.

## **Salary advances**

98. The trust does not award salary advances unless an error has been identified and the member of staff would be disadvantaged by waiting for the next pay date. .

## **Severance payments**

99. The Trust is able to self-approve the non-contractual element of severance payments with a value of less than £50,000 (gross). A business case must be presented to the **Accounting Officer** before agreeing a payment. This should be prepared by, or include input from the Trust's HR Director or outsourced HR Service and from legal advisors where necessary.
100. Where the non-contractual element of a severance payment is on or over £50,000 prior approval from ESFA must be sought. The ESFA may in turn have to obtain approval from HMRC so sufficient time must be allowed for this.
101. The **Accounting Officer** must sign off and review each business case.

## Compensation payments

102. The Trust is able to self-approve payments for loss or injury with a value of less than £50,000. Where the proposed value exceeds £100, a business case must be presented to the **Accounting Officer** before agreeing a payment. The £100 can be approved by a **LGB**.
103. A business case for a compensation payment must include a careful appraisal of the facts, including legal advice where relevant, a value for money statement and a review of the effectiveness of any aspect of the internal control system that may be in doubt following the incident.
104. The **Accounting Officer** must sign off and review each business case.
105. Where a compensation payment is on or over £50,000 prior approval from ESFA must be sought. The ESFA may in turn have to obtain approval from HMRC so sufficient time must be allowed for this.

## Ex-gratia payments

106. Any ex-gratia payments must be submitted to ESFA for prior approval. Ex gratia payments are any type of non-contractual payment, other than severance or compensation, that fall outside of the Trust's pay policies.

## Income

### ESFA grants

107. The main sources of income for the academy are the grants from the ESFA. The receipt of these sums is monitored and checked by the **Trust Finance Team**.

### Other grants

108. The **Headteacher** is responsible for ensuring that all grant awards due are collected/received.

## Trips

109. A lead member of staff must be appointed for each trip to take overarching responsibility for the collection of sums due, with support from admin and finance staff where this is available. The lead member of staff must ensure that a record for each student intending to go on the trip is maintained, showing the amount due, again with support where applicable. A copy of the record must be given to or held by the staff authorised to use the finance systems.
110. A receipt must be issued for all monies collected and a record made for that student against the list of monies due.



111. The authorised finance staff should maintain an up to date record for each student showing the amount paid and the amount outstanding. This record should be sent to the lead teacher on a weekly basis and the lead teacher is responsible for prompting payment where appropriate.
112. An income and expenditure budget should be prepared by the trip leader for each trip. School trips should not make a profit and any subsidy must be approved by a relevant budget holder.

### **Catering**

113. Cash payments must be reconciled to the lunch records on a weekly basis by the school administration staff. The school meal numbers and cash totals are recorded and the cash prepared for banking, the banking is recorded on a school Income Record. All banking will be recorded on the Finance System by the finance staff authorised to do so. The cash is kept in the safe prior to collection or banking, which should be at least weekly. Any catering income received by the school through electronic payment methods must be reconciled to the software system.
114. Pricing decisions in connection with school food are fully delegated to Local Governing Bodies and may be further delegated within the school depending upon local circumstances.

### **Lettings**

115. Each school is responsible for maintaining records of bookings of school facilities and for identifying the sums due from each organisation. Payments should be requested in advance for the use of facilities wherever possible.
116. Details of organisations using the facilities will be held by person authorised to use the financial systems at each school, who will establish a sales ledger account and produce a sales invoice from the Financial Information accounting system.
117. Copies of the organisation's up to date relevant Public Liability Insurance, Risk Assessments and Safeguarding and Fire Procedures are kept with the Letting Agreements and are reviewed at least annually by the person appointed to deal with health and safety at the relevant school.
118. Hiring Conditions should be determined by each **LGB**, subject to the requirements of the Academies Financial Handbook, as updated annually.

### **Sundry income**

119. Income from other sources (for example educational consultancy or secondments) is priced in consultation with **the LGB**. The transaction must not be undertaken until the price has been agreed and the customer has been assessed for ability to pay.
120. Pricing and credit control procedures for school nurseries and wraparound care will be set and monitored by Local Governing Bodies. Income and expenditure for nurseries and

wrapround care should be monitored as a separate cost centre from the main school.

## Bad debts

121. Each school must take responsibility for collecting all debts due to it promptly and without delay.
122. If the debt remains unrecoverable after 6 months, or it becomes clear that the debt will not be repaid, the **Headteacher** submits a report to for approval of write off, subject to the following limits:
123. The following write off limits apply:
  - Up to £500 – **Headteacher**
  - £500 to £1000 – **LGB**
  - Over £1000 – **Accounting officer** or refer to debt collection agency.

## Purchasing

124. The Trust must achieve value for money on all purchases. A large proportion of our purchases are paid for with public funds and we need to be able to demonstrate that public funds are being used economically, effectively and efficiently with a strategic approach to purchasing that achieves the best outcomes for the Trust.
125. The seven principles of public life, listed in the introduction, have a particular application to purchasing, and must be strictly adhered to.

## Routine Purchasing

126. Budget holders will be informed of the budget available to them. It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent. Data detailing actual expenditure and committed expenditure (orders placed but not paid for) against budget will be supplied to each budget holder each month.
127. Routine purchases up to £3,000 can be ordered by budget holders. In the first instance a supplier should be chosen from the list of approved suppliers maintained by the Finance Department or School Office. A quote or price must always be obtained before any order is placed. 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 **LGB**. Copies of all quotes must be attached to the order form.

## Orders

128. All orders must be made, or confirmed, using an official order requisition. Orders must show evidence of approval by the budget holder and must be forwarded to the authorised staff member who will check to ensure adequate budgetary provision exists before placing the order.

129. Approved orders will be recorded in the purchase order module of the financial information system which allocates a reference number and commits expenditure. Orders will be dispatched to the supplier by the Administration staff.
130. The person placing the order must make appropriate arrangements for the delivery of goods to the academy. On receipt they 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.
131. If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Finance Team should be notified. Each school should keep record of all goods returned to suppliers.
132. All invoices should be sent to the Finance Team, via SharePoint. Invoice receipt will be recorded on the Purchase Ledger and The Finance Team or authorised person will record the following as a minimum on each invoice/credit note:
  - Transaction/Document reference
  - Authorised by
  - Cost Centre Code
  - Ledger Code
  - Date entered into the finance system
133. The budget holder must make a detailed check against the order and the GRN before it is sent back to the Finance Team. Budget holders must undertake these checks without undue delay and in any case within 7 days of invoice receipt.
134. If a budget holder is pursuing a query with a supplier the Finance Team must be informed of the query and periodically kept up to date with progress.
135. In advance of each payment run the finance staff will produce a list of invoices from the purchase ledger and this list together with supporting documentation will be reviewed by the **Headteacher**.
136. The Finance Team will then input details of payments to be made to the purchase ledger and generate the payments required. The payments must be authorised online by/signed by two of the nominated signatories

### **Orders over £5,000 but less than £20,000**

137. At least three written quotations should be obtained for all orders between **£5000 and £20,000** to identify the best source of the goods/services. Written details of quotations obtained should be prepared and retained by the school office/finance team for audit purposes. Telephone quotes are acceptable if these are evidenced and email confirmation of quotes has been received before a purchase decision is made and made in accordance with value for money principles. Screen shots of website pricing or copies of catalogue pages are also acceptable as evidence.

## Single tender waiver

138. Where it is determined through analysis of the market and proportionate and transparent engagement with potential providers that the services are capable of being provided only by one particular provider (e.g. for technical or economic reasons), or there is an urgent need, the **Headteacher** may consider it appropriate to proceed with a single tender action, where a contract is awarded to a single provider – or a limited group of providers – without competition.
139. The law in this regard is complex and carries an inherent risk of challenge. It is therefore important if this route is taken that the rationale for the decision is recorded. Where a service is put in place for reasons of urgency or safety, this should be considered an interim step and there should be a plan to undertake a competitive process as soon as possible. It may be possible, in very limited circumstances, to award a contract to one provider to protect exclusive rights (e.g. intellectual property) that the provider holds, but only if another provider could not offer an equivalent service or way of providing the service, which would achieve the same outcome or aim.

The **Headteacher** must provide, to the **Accounting Officer**, evidence of the review and options appraisal that led to the decision that a single tender action is appropriate

## Orders over £20,000

140. All goods/services ordered with a value over £20,000, or for a series of contracts which in total exceed £20,000 must be subject to formal tendering procedures.

## Official Journal of the European Union

141. Purchases over £181k (or £4.5mil if construction) are to be dealt with in accordance with (OJ) EU regulations. Support from an independent specialist will be procured as needed.

## Trading with connected and related parties

142. The Trust seeks to avoid all trading with Connected or Related Parties, with the exception of school to school arrangements/partnerships (where there is no commercial interest). If a situation arises where a school in the Trust wishes to procure goods or services from a Connected or Related Party (See the Academies Financial Handbook) a business case should be put to the **Accounting Officer**, stating a clear justification, detailing how the arrangements will comply with the “at cost” requirements set out in the Academies Financial Handbook and how they are to be monitored.

## Goods and services for private use

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

## Forms of Tenders (£20k+)

144. 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 **Accounting Officer** 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 method of tendering that 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.

## Tender Procedures

145. Full consideration should be given to defining the services that you wish to procure in the form of a service specification, which should include :

- objective of project
- overall requirements
- technical skills required
- service level requirements
- form of contract
- credit rating
- approval process

146. It may be useful after all requirements have been established to rank requirements to publish the weighting for each element of the service specification with the tender(e.g. mandatory, desirable and additional) and award marks to suppliers on fulfilment of these requirements to help reach an overall decision.

147. 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.

148. 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
  - dates for decision and work to be delivered
149. The invitation to tender should state the date and time by which the completed tender document is received by the academy trust. Arrangements must be made for tenders to be submitted electronically to a named member of staff (not the person leading the procurement) who must not disclose the tender details until all tenders are ready for review on a chosen date.
150. 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.
151. All tenders submitted should be initially reviewed at the same time and the tender details should be recorded. Two persons should be present for the initial review of tenders as follows:
- For contracts up to £50,000 – two people, including the budget holder. The other person must be the **Headteacher or** a Governor if the budget holder is the **Headteacher**.
  - For contracts over £50,000 – the **Accounting Officer**, a **Governor** and Budget Holder. In the absence of one of these people a member of the **Board of Directors** should be present.
152. A separate record details the names of the firms submitting tenders and the amount tendered. The record is signed by all people present at the tender opening.
153. Those involved in making a decision must take care not to accept gifts or hospitality from potential suppliers: This could compromise or be seen to compromise their independence.
154. Full records should be kept of all criteria used for evaluation and for contracts over £50,000 a report should be prepared for the **Board of Directors**, highlighting the relevant issues and recommending a decision.
155. The accepted tender should be the one that is economically most advantageous to the academy. All parties are then informed of the decision.

## **Insurance**

156. The Audit Committee should review insurance arrangements annually to ensure that the sums insured are commensurate with the risks and include cover for academy trust

property when off the premises.

157. The Trust has opted in to the Department for Education's Risk Protection Arrangements.
158. All staff have a responsibility to safe guard the assets of the Trust and the schools and must ensure all valuables are kept under lock and key when not being used in a supervised manner.
159. The **CEO** must be notified immediately in writing by **Headteachers** of any loss, liability or damage or any event likely to lead to a claim by the School or by third parties against the School or any of the members of staff

### **Governors and Trustees Expenses**

160. All Governors and Directors of the Trust and its constituent schools are entitled to claim the actual costs, which they incur as follows in accordance with the Trust policy.
161. The **Board of Directors** and Governors of Local Governing Bodies acknowledge that:
  - Governors/Directors are not be paid attendance allowance
  - Governors/Directors are not reimbursed for loss of earnings
162. Governors/Directors wishing to make claims under these arrangements, must complete a claims form together with the relevant receipts. All claims must be signed for the **Chair of the Committee, Chair of Governors, Chair of the Board** or a **Member** in the case of the **Chair of the Board**.
163. Claims will be subject to independent audit and may be investigated by the **Chair of the Board** if they appear excessive or inconsistent.

### **Gifts**

164. Ordinarily gifts should be **rejected**, unless they are of negligible value (e.g. diaries, calendars, chocolates). However, any gifts or hospitality with a value in excess of £25 must be reported to the **Accounting Officer/Chief Finance Officer** in order to protect the individual receiving the gift. This is particularly important where the person receiving the gift is a budget holder, has the ability to influence purchasing decisions or regularly receives reimbursement from the school for items other than travel expenses.
165. Gifts that have been reported are entered onto the gifts and hospitality register. Gifts of a high value offered but not accepted should also be entered on the register.

### **Fraud**

In accordance with the highest standards of professional practice and good governance, the Trust does not tolerate bribery or corruption of any kind. The Trust expects that individuals and organisations (e.g. employees, suppliers, contractors, and service providers) that it deals with



will act with integrity and without thought or actions involving fraud and corruption. Where relevant, the trust will include appropriate clauses in its contracts about the consequences of fraud, bribery and corruption; evidence of such acts are most likely to lead to a termination of the particular contract and may lead to prosecution. In respect of employees, the Trust disciplinary rules are such that fraud and corruption are considered to be potential gross misconduct and if proven, would normally result in dismissal.

166. **Fraud** is the “intentional distortion of financial statements or other records by persons internal or external to the organisation, which is carried out to conceal the misappropriation of assets or otherwise for gain.”
167. **Corruption** is the “offering, giving, soliciting or acceptance of an inducement or reward which may improperly influence the action of any person.
168. The **Bribery** Act makes it an offence to offer, promise or give a bribe. It also makes it an offence to request, agree to receive or accept a bribe. The Act (2010) creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business. There is also a corporate offence of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation

## Leasing

169. The Trust and the schools must not enter into a finance lease. Operating leases can be entered into must not last longer than 5 years and contract rental arrangements (where there is no separate lease finance company involved) are preferable to both. The **Accounting Officer** must approve all leases and may seek approval from the external auditors beforehand.

## VAT

170. The **Chief Finance Officer** and **Trust Finance Team** are responsible for submitting the VAT 126 claims, and for ensuring compliance with HM Revenue and Customs VAT guidance.

## Fixed assets

### Asset register

171. All items purchased with a value over the academy’s capitalisation limit of £1,000 must be entered on the fixed asset register within the Finance System with the following minimum details:
  - asset description
  - asset number
  - date of acquisition
  - asset cost
  - depreciation policy
  - location



In addition it is good practice to maintain an inventory of all physical items of furniture or large equipment below this value, down to around £100 replacement cost.

172. The asset register and inventory help:

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

173. Examples of items to include on the asset register include:

- ICT hardware
- Reprographic equipment – photocopiers, binders, laminators
- Office equipment – shredders, switchboard
- Furniture
- Audio visual equipment
- Cleaning equipment – vacuum cleaners, polishers
- Catering equipment – ovens, fridges, dishwashers, food processors
- Technology equipment – sewing machines, craft machinery
- Premises equipment – lawn mowers, power tools, generators
- Other equipment – musical instruments, PE equipment
- Mini buses

### Security of assets

174. All the items in the register should be permanently marked as the academy trust's property.

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

176. An annual count should be undertaken by a caretaker or member of the site team, or by a combination of people, who are different from the preparer of the asset register. Where discrepancies between the physical count and the amount recorded in the register are found these should be escalated to the **Headteacher** and investigated where appropriate promptly and, where significant, reported to the LGB in line with the write of limits.

### Disposals

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

178. Items which are to be disposed of by sale or destruction must be authorised for disposal by **Headteacher** and, where significant, should be sold following competitive tender.

### Loan of Assets

179. Items of academy property must not be removed from the premises without the authority of the **Headteacher** or a **Governor**. All loan equipment must be recorded and the record reviewed regularly to recall items.

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

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