



## Trust in Learning (Academies)

### Finance Policy

Leadership Responsibility:

- Chief Executive (TiLA)
- Director of Finance & Operations (TiLA)

To be ratified by: TiLA Board

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## **1. Introduction**

1.1. The purpose of this manual is to ensure that Trust in Learning (Academies) and its schools maintain and develop systems of financial control that 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 our funding agreement with the Education and Skills Funding Agency (ESFA).

1.2. The Trust must comply with the principles of financial control outlined in: -

- The latest Academies Financial Handbook published by the DfE/ESFA which contains statutory and regulatory guidance
- Company Statement of Recommended Practice (SORP)
- The Internal Financial Control for Charities

This manual provides detailed information on the Trust's accounting procedures and all staff involved with financial systems should read the manual.

In case of need, any aspect of this policy may be amended or overruled by a majority vote of the TiLA Board and the reason for the decision minuted.

## **1. Aims**

The aim is to provide a clear policy on responsibilities, authority levels and detailed procedures for Trust in Learning (Academies) [TiLA] and its individual schools.

## **2. Scope**

This covers all the schools and the central team within TiLA.

## **3. Values, Principles and Standards**

The values, principles and standards are those outlined fully in the Academies Financial Handbook.

## **4. Objectives**

The objective is to ensure that we comply fully with all the relevant legislation as outlined in the School Handbook, the Charity Commission Check List and Company Statement of Recommended Practice (SORP)





## **5. Communication**

- The TiLA Board will notify the schools when a new policy is added or an existing policy is reviewed.
- Schools must notify the TiLA Board if they have created a new policy or amended an existing policy.
- This policy is one of a suite of policies listed under the main policy matrix that shows the full list of policies that are available.
- The policy is available on a drive that is accessible to all staff.
- All staff are notified when a policy is updated or a new policy is added to the portfolio.
- The staff induction process covers policies and procedures together with the on line access instructions.
- <http://www.tilacademies.co.uk/about-the-trust/policies-and-procedures/>

The above link takes you to the TiLA Website and the list of policies including the Whistleblowing and Anti-bribery policies.

## **6. Responsibilities and Accountabilities**

- The TiLA Board is responsible for ensuring that each school complies with legislation and that this policy and its related procedures are fully implemented.
- Headteachers are responsible for the implementation of this policy at the school level and for ensuring that all staff are aware of this policy.
- Headteachers must ensure that this policy is covered during the staff induction.

## **7. Monitoring and Review**

- The effectiveness of this policy is evaluated in the annual School Improvement Plan.
- Targets are set if appropriate within the Improvement Plan.
- All policies are reviewed regularly the next major review date is stated at the start of this policy.
- Any complaints regarding this policy or the operation of this policy will be handled via the Complaints Procedure Policy.

## **8. Organisation**

- 8.1 The Chief Executive (CEO) has defined the responsibilities of each person involved in the administration of school finances to avoid the duplication or omission of functions and to provide a framework of accountability for directors, governors and staff. The financial reporting structure is illustrated below.

### **The Trust in Learning (Academies) (TiLA) Board**

- 8.2 The TiLA Board has overall responsibility for the administration of schools' finances. The main responsibilities of this Board are prescribed in the Funding Agreement between the Trust and the DFE, the Academies Financial Handbook, and duties under company and charity law.



The main responsibilities include the following: -

- Complying with the statutory duties of company directors as set out in the Companies Act
- Ensuring that the grant from the ESFA is used only for the purposes intended
- Prepare financial plans so as to secure a school's short-term and long-term financial health
- Approval of a balanced annual budget
- Appointment of the Chief Executive
- Appointment of the Director of Finance & Operations in conjunction with the Chief Executive
- Obtain approval from the Secretary of State through the Education & Skills Funding Agency before undertaking certain transactions outlined in Appendix A and in the Academies Handbook.

## The Finance & Operations Committee

- 8.3 The Finance & Operations Committee of the TiLA Board meets at least once a term, but can be arranged more frequently if required.
- 8.4 The main responsibilities of the Finance & Operations Committee are detailed in written terms of reference authorised by the Board. The main responsibilities include:-

To consider and make recommendations to the Board on all financial and budgetary matters not delegated either to the Chief Executive or to the Local Governing Bodies, including: -

- To approve, and recommend approval by the Board, the annual accounts produced
- Regular reviews of budget monitoring reports and cash flow position
- All finance policies
- Approval of arrangements to secure compliance with financial regulations

## The Audit Committee

- 8.5 The main responsibilities of the Audit Committee are detailed in written terms of reference authorised by the TiLA Board. The main responsibilities include: -
- In general terms, the audit Committee is an advisory Body without executive powers
  - The Committee has authority to investigate any activity that it deems relevant to its inquiries and to seek any information from staff that it requires
  - The Committee will work with the Internal Auditor to ensure they are accorded full cooperation and receive and consider their reports
  - The Committee will seek to promote a climate of financial discipline and control to help ensure the highest standards of probity and efficiency



## The Chief Executive

- 8.6 The Chief Executive is the Accounting Officer of the Trust. The Funding agreement sets out the responsibilities of the Board and the Accounting Officer. The Accounting Officer must take personal responsibility (which must not be delegated) for assuring the Board that there is compliance with the Financial Handbook, the Funding Agreement and all relevant aspects of company and charitable law. The Accounting Officer has responsibility, under the Board guidance, for the overall organisation, management and staffing and for its procedures in finance and other matters, including conduct and discipline. Accounting Officers are personally responsible to Parliament and to the Accounting Officer of the ESFA for the resources under their control.
- 8.7 The Accounting Officer's statement on governance, regularity, propriety and compliance must be included in the Trust's annual report. This is a formal declaration by the Accounting Officer that they have met their personal responsibilities to Parliament for the resources under their control during the year.

## Director of Finance & Operations

- 8.8 The Director of Finance & Operations works in close collaboration with the Chief Executive through whom he or she is responsible to the Board. The Director of Finance & Operations also has direct access to the Board via the Finance Committee. The main responsibilities of the Director of Finance & Operations are: -
- The day to day management of financial issues including the establishment and operation of a suitable accounting system
  - The management of the Trust financial position at a strategic and operational level within the framework for financial control determined by the Board
  - The maintenance of effective systems of internal control
  - Ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of the Trust
  - The preparation of monthly management accounts and budget monitoring
  - Ensuring forms and returns are sent to the ESFA in line with the timetable in the DFE/ESFA guidance
  - Ensuring the correct returns are sent to Companies House as per the agreed timetable.

## The Internal Auditor

- 8.9 The Internal Auditor (IA) appointed by the Board, provides Trustees with an independent oversight of the Trust's financial affairs. The main duties of the IA are to provide the Board through the Finance or Audit Committee an independent assurance that: –
- The financial responsibilities of the Trust are being properly discharged
  - Resources are being managed in an efficient, economical and effective manner
  - Sound systems of internal financial control are being maintained;
  - Financial considerations are fully taken into account in reaching decisions.



- 8.10 The Internal Auditor will undertake a programme of reviews to ensure that financial transactions have been properly processed and that controls are operating as instructed by the Board. This program will be agreed by the Director of Finance & Operations and the Audit Committee at the start of each year. A report of the findings from each visit will be presented to the Accounting Officer and the Finance Committee. Further guidance on the role of the IA is given in Appendix B.

## Other Staff

- 8.11 Other members of staff, primarily school Business Managers (SBMs), Central Finance Team and budget holders, will have some financial responsibility. Authority levels are outlined in Appendix A. 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 financial procedures and the Financial Probity policy.

## Register of Interests

- 8.12 A register of interests will be maintained and interests declared at the start of each meeting.

## 9. Accounting System

- 9.1 All the financial transactions of the Trust must be recorded on the official accounting system which is currently Sage for Education.

## System Access

- 9.2 Entry to the Sage system is password restricted and the Director of Finance & Operations is responsible for implementing a system, which ensures that passwords are changed at least every 3 months.
- 9.3 Access to the component parts of Sage can also be restricted and the Director of Finance & Operations is responsible for setting access levels for all members of staff using the system.

## Back-up Procedures

- 9.4 Back-up procedures are described in the ICT Policy
- 9.5 The Director of Finance & Operations 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 is exposed and the systems that have been put in place to mitigate those risks.



## Transaction Processing

- 9.6 All transactions input to the accounting system must be authorised in accordance with the procedures specified on the Record of Financial Responsibility Appendix C through the Purchase Requisition and Purchase Order process.
- 9.7 Detailed information on the operation of the accounting system can be found online at Sage Support <http://desktohelp.sage.co.uk/sage200/sage200standard/Content/Home.htm>

## Transaction Reports

- 9.8 The Director of Finance & Operations will obtain and review system reports to ensure that only regular transactions are posted to the accounting system. The report obtained and reviewed will include: -
- Master file amendment reports for the payroll, purchase ledger and sales ledger
  - Management accounts summarising expenditure and income against budget at budget holder level;
  - Other reports as required.

## Reconciliations

- 9.9 The Finance Supervisor is responsible for ensuring the Balance Sheet Control Account reconciliations are performed each month, and that any reconciling or balancing amounts are cleared.
- 9.10 Any unusual or long outstanding reconciling items must be brought to the attention of the TiLA Director of Finance & Operations.

## 10. Financial Planning

- 10.1 Schools must prepare both medium term and short-term financial plans.
- 10.2 The medium term financial plan is prepared as part of the development planning process. The development plan indicates how educational and other objectives are going to be achieved within the expected level of resources over the next three years.
- 10.3 The development plan provides the framework for the annual budget. The budget is a detailed statement of the expected resources available to schools and the planned use of those resources for the following year.



## School Evaluation and Development Planning

- 10.4 Development planning takes place annually and draws upon the evaluation of each school's current performance as well as upon likely internal and external changes that affect each school. The evaluation outlines several areas for development over coming years and more detailed plans show what aspects are being tackled in the current year.
- 10.5 Development planning considers the funding available and significant costs are indicated in the plans with a cross-reference to the Budget.

## Annual Budget

- 10.6 The Director of Finance & Operations is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by each of the Local Governing Bodies, Chief Executive and the Trust Board.
- 10.7 The approved budget must be submitted to the ESFA by the date specified and the Director of Finance & Operations is responsible for establishing a timetable allowing sufficient time for the approval process to ensure that the submission date is met.
- 10.8 The annual budget will reflect the best estimate of the resources available to each school for the forthcoming year and will detail how those resources are to be utilised. There should be a clear link between the development plan objectives and the budgeted utilisation of resources.
- 10.9 The budgetary planning process will incorporate the following elements: -
- Forecasts of the likely number of pupils to estimate the amount of ESFA grant
  - Review of other income sources available to each school to assess likely level of receipts;
  - Review of past performance against budgets to promote an understanding of each school cost base;
  - Identification of potential efficiency savings
  - Review of the main expenditure headings in light of the development plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes.

## Balancing the Budget

- 10.10 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 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. The Trust Board reserve the right to override individual school Budgets and allocate Reserves as is necessary for the smooth running of the Trust.
- 10.11 Schools must maintain a level of reserves in accordance with the Trust's Reserves Policy.



## Finalising the Budget

- 10.12 Once the different options and scenarios have been considered, a draft budget should be prepared by the Director of Finance & Operations for approval by the Chief Executive, the Finance & Operations Committee and finally the TiLA Board. Once the budget is agreed it should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.
- 10.13 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 Approved Budget will be locked down as reference point. A Current Budget will be maintained and updated throughout the year in order to give an accurate End of Year Forecast against which actual spend may be monitored.

## Monitoring and Review

- 10.14 Monthly reports will be prepared by the Director of Finance & Operations. The reports will detail actual income and expenditure against budget at a school level and at a summary level for the Chief Executive and the Finance Committee.
- 10.15 Any potential significant overspend against the budget must in the first instance be discussed with the School Headteacher and the Director of Finance & Operations.
- 10.16 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.

## 11. Payroll

11.1 The main elements of the payroll system are: -

- Staff appointments;
- Payroll administration and
- Payments.

## Staff Appointments

- 11.2 Changes to the personnel for each school must be within the budget parameters unless the amount of funding has increased significantly. There is a staff appointment procedure in place and this should be followed in all cases.
- 11.3 Personnel files are available for all members of staff, which include contracts of employment.



## Payroll Administration

- 11.4 Education Personnel Management and Bishop Fleming Payroll Services currently provide the payroll administration. Payroll transactions are entered via a payroll journal onto Sage. Access to the system is password controlled.
- 11.5 All staff are paid monthly through Payroll on the last working day of the month.
- 11.6 All staff expenses are paid through the payroll or via BACS through Sage.

## Payments

- 11.7 All salary payments are made by BACS.
- 11.8 The SBM should prepare a reconciliation between the current month's and the previous month's gross salary payments showing adjustments made for new appointments, resignations, pay increases etc. They should also reconcile the payroll against the budgeted payroll on BPS. This reconciliation should be reviewed and signed off by the Business Manager.
- 11.9 The payroll system automatically calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions.
- 11.10 All staff salary payments are reconciled to the budget allocated.
- 11.11 After the payroll has been processed the nominal ledger will be updated. Postings will be made both to the payroll control account and to individual cost centres. The Central Finance Team 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. Payroll control accounts should be reviewed and cleared monthly if appropriate.
- 11.12 An annual statement of the payroll control accounts and cost centre amounts is part of the audit process.

## 12. Purchasing

- 12.1 The Trust wants to achieve the best value for money from all our purchases. This means obtaining the correct quality, quantity and time at the best price possible. A large proportion of purchases will be paid for with public funds and they need 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

- 12.2 Where departmental budgets are in place, budget holders will be informed of the budget available to them at least one month before the start of the academic year. It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent. Details of budgets and available spend are available through the Sage Web Portal which all budget holders have access to.
- 12.3 Routine purchases can be ordered by budget holders (see Appendix C). In the first instance, a supplier should be chosen from the list of approved suppliers maintained by the Central Finance Team. 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 Central Finance Team and approved by the Director of Finance & Operations.
- 12.4 All Purchase Requisition orders must be made, or confirmed, using the Sage Web Portal. The budget holder should check the web portal to ensure there is sufficient budget against which to place an order. Requisitions must be authorised by the budget holder and if necessary the Purchase Order approved by SBM or Headteacher (depending on authorities in Appendix C), the Finance Team will check details and ensure adequate budgetary provision exists before placing the order.
- 12.5 The Central Finance Team or SBM will make appropriate arrangements for the delivery of goods to the School. On receipt the person placing the order or alternative authorised person 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. The GRN must be stamped with a date and the person checking the goods must print and sign their name on the form. Where a GRN has not been provided then a Missing GRN form must be used to record the details of the order and is then stamped and signed as before.
- 12.6 All GRNs or alternatives, staff expenses and invoices must sent to the Central Finance Team on a regular basis for processing.
- 12.7 Any discrepancies discussed with the supplier of the goods immediately by the person who placed the order and should be notified to the Central Finance Team and the SBM immediately.
- 12.8 If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Central Finance Team will keep a central record of all goods returned to suppliers.
- 12.9 The Central Finance team will certify the goods have been received by checking the GRN, check the invoices received match and input the invoices onto Sage.
- 12.10 On a regular basis the Finance Supervisor will review the invoices due for payment. The Finance Assistants will prepare the BACS files for review by the Finance Supervisor who will then load and authorise the payments via Lloydslink. The Director of Finance & Operations or CEO will review and provide the 2<sup>nd</sup> authorisation.
- 12.11 Where necessary cheques will be issued and authorised by two of the nominated cheque signatories and then dispatched to suppliers by the school or Central Finance Team.
- 12.12 At least three written quotations should be obtained for all orders over the set limit (see Appendix C for values to identify the best source of the goods/services). Written details of quotations obtained should be prepared and retained by budget holders for audit purposes. Telephone quotes are acceptable if these are evidenced and faxed confirmation of quotes has been received before a purchase decision is made.



12.13 All goods/services ordered with a value over the quotation value or for a series of contracts which in total exceed the set quotation value (see Appendix C) must be subject to formal tendering procedures or be authorised to use Pre Approved Purchasing Frameworks which have already been subject to Tender process. The purchase will still need to be approved at the appropriate level.

Competitive tendering can be considered below this figure, in the interests of best value. Purchases over EU Limits (currently £164,176 for goods and services, and £4,104,394 for works) (correct as at November 2016), may fall under EU procurement rules which require advertising in the Official Journal of the European Union.

## Forms of Tenders

12.14 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 SBM 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 School'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.

### Use of Buying Frameworks

Use of Buying Frameworks: where goods or contracts to be purchased are over the EU tender limit it may be prudent to use a buying framework. Under a buying framework a formal EU tender has already been conducted and all approved suppliers have been vetted. In using the buying frameworks it is important to follow the guidelines for each framework which may entail undertaking a mini competition tender. In some cases such as in purchasing ICT equipment preferential prices can be obtained for goods valued under the EU tender limit. The Trust is a member of the Crescent Purchasing Consortium. Purchasing through a buying framework must be overseen by the Director of Finance & Operations.



## Preparation for Tender

12.15 Full consideration should be given to: -

- Objective of project
- Overall requirements
- Technical skills required
- After sales service requirements
- Form of contract.

12.16 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

12.17 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

12.18 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?

12.19 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.



#### 12.20 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 Director of Finance & Operations examine audited accounts etc.
- The TiLA Board may override the tender procedure if it considers it appropriate.

### Tender Acceptance Procedures

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

### Tender Opening Procedures

12.22 All tenders submitted should be opened in accordance with Appendix C, at the same time and the tender details should be recorded.

12.23 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 Evaluation Procedures

12.24 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.

12.25 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.

12.26 Full records should be kept of all criteria used for evaluation and for contracts over £20,000 a report should be prepared for the Governing Body highlighting the relevant issues and recommending a decision. For contracts under £20,000 the decision and criteria should be kept on file.

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

12.28 The accepted tender should be the one that is economically most advantageous (not necessarily the cheapest)



to the Trust. All parties should then be informed of the decision.

### **13. Income**

13.1 The main sources of income for the Trust are the grants from the ESFA. The receipt of these sums is monitored directly by the Director of Finance & Operations who is responsible for ensuring that all grants due to schools are collected and distributed monthly.

13.2 The School also obtains income from: -

- The Local Authority
- Local businesses
- Students, mainly for trips;
- The public, mainly for sports lettings; and
- Certain local charities and other parties
- Out of school clubs
- Sale of books, materials, locker keys etc
- Donations
- Charity collecting

### **Professional Development Centre (PDC) Bridge Learning Campus Only**

13.3 The Premises co-ordinator is responsible for maintaining records of bookings of meeting/training rooms and for identifying the sums due from each organisation.

13.4 Details of organisations using the facilities should be sent by the premises Co-ordinator to the Central Finance Team who will produce a sales invoice from the Sage accounting system. Details of payments made and outstanding accounts will be forwarded to the Premises Co-ordinator at the beginning of each month and the Premises Co-ordinator is responsible for chasing outstanding debts and ensuring no use is made of the facilities unless payment has been made.

13.5 No debts should be written off without the express approval of the Director of Finance & Operations (the ESFAs prior approval is also required if debts to be written off are above the value set out in the annual funding letter).

13.6 Organisations using the PDC should be instructed to send all payments to the Central Finance Office.

### **General Lettings**

13.7 For procedures concerning Lettings other than Sports Lettings see separate Policy.

### **Custody**

13.8 Official, pre-numbered receipts should be issued for all cash and cheques received where no other formal documentation exists. All cash and cheques must be kept in the school safe prior to banking. Banking should take place every week or more frequently if the sums collected exceed the insurance limit on the school safe.



- 13.9 Monies collected must be banked in their entirety in the appropriate bank account. The SBM is responsible for preparing reconciliations between the sums collected, the sums deposited at the bank Schools will provide weekly banking reports to the central finance team who will post the amounts onto Sage. Cash should be collected by a security company unless small ad hoc amounts under £200.

## 14. Cash Management

### Bank Accounts

- 14.1 The opening of all accounts must be authorised by the Director of Finance & Operations who must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. The operation of systems such as Bankers Automatic Clearing System (BACS) and other means of electronic transfer of funds must also be subject to the same level of control.

### Deposits

- 14.2 Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include: -
- The amount of the deposit and
  - A reference, such as the number of the receipt or the name of the debtor.
  - These details should be provided to the Central Finance team on a weekly basis.

### Payments and withdrawals

- 14.3 All cheques and other instruments authorising withdrawal from Trust bank accounts must bear the signatures of two authorised signatories.
- 14.4 This provision applies to all accounts, public or private, operated by or on behalf of the Trust.
- 14.5 All details of cheque payees and amounts must be recorded on the cheque book stub and details provided to the Central Finance team to allow the bank accounts to be reconciled.

### Administration

- 14.6 The Central Finance Team must ensure bank statements are received regularly and that reconciliations are performed at least on a monthly basis. Reconciliation procedures must ensure that: -
- All bank accounts and credit cards are reconciled to each school's cash book on Sage;
  - Reconciliations are prepared by the Finance Assistants and reviewed by Finance Supervisor

- Reconciliations are countersigned by the Director of Finance & Operations
- Adjustments arising are dealt with promptly.

## Petty Cash Accounts

- 14.7 The School maintains a maximum cash balance of £200. The cash is administered by the SBM and is kept in the School safe. Personal cheques will not be cashed.

## Petty Cash Payments and Withdrawals

- 14.8 In the interests of security, petty cash payments will be limited to £20 unless authorised by the Headteacher or SBM. Higher value payments should be made by cheque or BACS directly from the main bank account. All payments must be supported by VAT invoices/receipts and must be signed for by the recipient and approved by the approved person.

## Petty Cash Administration

- 14.9 The school is responsible for nominating a person to ensure that all transactions are entered into the petty cash records on a regular basis and regular as well as unannounced cash counts should be undertaken by the SBM to ensure that the cash balance reconciles to supporting documentation. Petty cash records should be sent to the Central Finance Team for entering onto Sage on a weekly basis.

## Physical Security

- 14.10 Petty cash should be held in a locking cash box which is put in the safe overnight.

## Cash Flow Forecasts

- 14.11 The SBM is responsible for preparing cash flow forecasts to ensure that the School 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.

## Investments

- 14.12 Investments must be made only in accordance with written procedures approved by the Finance & Operations Committee.
- 14.13 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.



## 15. Fixed Assets

### Asset Register

15.1 All items purchased with a value over the Trust's capitalisation limit must be entered in an asset register. The member of staff named as responsible for the asset in the Asset Register, is required, on a yearly basis, to check the register and report any discrepancies to the Director of Finance & Operations.

The asset register should include the following information: -

- Asset description
- Asset number and serial number
- Date of acquisition
- Asset cost
- Source of funding (% of original cost funded from EFA grant and % funded from other sources)
- Expected useful economic life
- Depreciation Current book value
- Location
- Name of member of staff responsible for the asset

15.2 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 plan their replacement;
- Help the external auditors to draw conclusions on the annual accounts and the Trust's financial system and
- Support insurance claims in the event of fire, theft, vandalism or other disasters.

### Security of assets

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

15.4 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 Local Governing Body and Director of Finance & Operations. Inventories of Trust property should be kept up to date and reviewed regularly. Where items are used by the school but do not belong to it this should be noted.

### Disposals

15.5 Items that are to be disposed of by sale or destruction must be authorised for disposal by the Director of Finance



& Operations and, where significant, should be sold following competitive tender. The Trust must seek the approval of the ESFA in writing if it proposes to dispose of an asset for which capital grant in excess of £20,000 was paid.

- 15.6 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 school/Trust would need to ensure licences for software programmes have been legally transferred to a new owner.
- 15.7 Schools are expected to reinvest the proceeds from all asset sales for which capital grant was paid in other school assets. If the sale proceeds are not reinvested then the Trust must repay to the ESFA a proportion of the sale proceeds.
- 15.8 All disposals of land must be agreed in advance with the Secretary of State.

## Loan of Assets

- 15.9 Items of Trust property must not be removed from school premises without the authority of the Head of Department. A record of the loan must be recorded in a loan book and booked back into the school when it is returned.
- 15.10 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 of assets should therefore be kept under review and any potential benefits discussed with the Director of Finance & Operations.

## 16. Tax

- 16.1 The Trust is not registered for VAT purposes, as 'business activity' is not currently expected to exceed £83,000 per annum. VAT claims are made using the VAT126 process. The Director of Finance & Operations will monitor this.
- 16.2 VAT claims are made to the HMRC every month by Central Finance Team. Claims will be made only for invoices in the name of the school/Trust.
- 16.3 Any payments to contractors and subcontractors are made in accordance with the Construction Industry Scheme.

## 17. Audit

- 17.1 The School has appointed Bishop Fleming LLP as its auditors.
- 17.2 The School has appointed an Internal Auditor. (See Appendix B)



## 18. Insurances

- 18.1 The Trust reviews all risks annually to ensure the cover available and the sums insured are adequate. Insurance is mainly via the ESFA RPA scheme, but additional motor vehicle policies are required.
- 18.2 The Trust will notify the insurers of any new risks or any other alterations affecting existing insurance.
- 18.3 The Trust will not give any indemnity to a third party.
- 18.4 The Trust will immediately advise the insurers of any accident, loss of other incident which may give rise to an insurance claim. Schools should contact the Director of Finance & Operations in the first instance.

## 19. Bad Debts

- 19.1 The procedures for debt recovery and for the write-off of any debt which is deemed irrecoverable will follow this guidance.
- 19.2 Wherever possible, income due will be collected before or at the time the relevant sale or service is provided. If this is not possible, an invoice will be issued.
- 19.3 All debts will be recorded and non-payment will be followed up by issuing reminders at the following intervals:-
  - 3 weeks from date of account - 1st reminder
  - 6 weeks from date of account - 2nd reminder
  - 8-10 weeks from date of account - Final reminder

The final reminder is sent by recorded delivery and threatens legal action if the account is not settled within 14 days. After 10 weeks from the date of the account, where the debt is still outstanding, legal action may be considered, and the debtor will be informed of this in writing.

- 19.4 If, after every effort has been made to collect the debt and legal action is considered impractical or has been unsuccessful, individual bad (irrecoverable) debts may be written off in accordance with the following procedures:-
  - The Chief Executive/ Director of Finance & Operations on behalf of the Trust must provide 30 days' notice to the Secretary of State for Education of its intention to write off any debts owed to it as set out in Section 83 of School's Funding Agreement. This notice is required whether or not the circumstances require the Secretary of State for Education's approval (see below).
  - Those debts below the value set out in the Annual Letter of Funding can then be approved and written off by the Finance & Operations Committee and reported to the next meeting of the TiLA Board.
  - Any proposed write off of debts above the value set out in the Annual Letter of Funding require the prior written consent of the Secretary of State for Education in accordance with section 82 of the Funding Agreement.
- 19.5 To ensure sound internal control, staff that raise invoices, will not have the authority to write off debts. The



VAT element of any debt must not be written off, as this contravenes HM Revenue & Customs statutory requirements.

19.6 The Trust will retain a Bad Debt Write-Off Summary.

## **20. Redundant Equipment**

20.1 The school has the authority to declare equipment, furniture or other assets or stores, surplus to requirements and to arrange for their sale or write off, providing the items concerned were purchased in whole or in part with a grant from the Secretary of State for Education.

20.2 A Disposal of Equipment form will be completed for all items which are to be disposed of and internal control will be exercised to ensure that the asset is no longer of use (i.e. it is obsolete) and that obsolete stocks are destroyed to ensure they are not illegitimately procured and then resold.

20.3 Where the estimated disposal value of surplus or redundant assets (equipment) is less than £500 or sale is to be by public auction or competitive tendering, disposal can be authorised by the Headteacher.

20.4 The prior approval of the Local Governing Body will be required if: -

- The estimated disposal value is between £500 - £5,000 and the sale is not to be by public auction or competitive tendering;
- The estimated disposal value is between £500 - £5,000 or;
- The sale is to be to a Governor or employee of the School.

20.5 Disposals between £5,000 - £20,000 must be approved by the CEO / Director of Finance & Operations.

20.6 Disposals above £20,000 must be approved by the Finance and Operations Committee / TiLA Board where no grant was received.

20.7 The prior written consent of the Secretary of State for Education is required in accordance with section 89 of the School Funding Agreement as follows: -

- Before the disposal of any asset for which a grant of over £20,000 was made, or land and buildings which had been transferred from the Local Authority at no cost to the School.
- Before the sale or disposal by other means, or reinvestment of proceeds from the disposal of an asset or group of assets, for which a capital grant in excess of £20,000 was paid.

20.8 As set out in section 93 of the School Funding Agreement the Trust will provide 30 days written notice to the Secretary of State for Education of its intention to dispose of assets for a consideration less than the best price that can reasonably be obtained, whether or not such disposal requires the Secretary of State for Education's consent as detailed above.

## **21. Capitalisation Policy**

21.1. Assets costing less than a set sum need not be capitalised. The limit for individual assets is set at £1,000. Once capitalised, assets must remain capitalised until disposed of, even if their net book value is below the limit.



Assets not capitalised must be expensed to the Income & Expenditure Account. A control will need to be maintained over all assets in use whether capitalised or not.

## 22. Depreciation Policy

22.1. The fundamental objective of depreciation is to reflect in operating profit the cost of use of the property, plant and equipment in the period.

Therefore, the depreciable amount of a property, plant and equipment should be recognised in the profit and loss account on a systematic basis that reflects as fairly as possible the pattern in which the asset's economic benefits are consumed by the company, over its useful economic life.

22.2. Subsequent expenditure on a property, plant and equipment that maintains or enhances the previously assessed standard of performance of the asset does not negate the need to charge depreciation, as, other than non-depreciable land, all property, plant and equipment have finite lives.

22.3. Timing of depreciation

Start:

Depreciation of an asset commences when it is available for use, i.e. when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation starts the earlier of:

- a) When the asset is accepted and approved
- b) Or when economic benefits associated with the asset are flowing to the Academy

End:

Depreciation of an asset ceases at the earlier of when:

- a) The asset is classified as held for sale or included in a disposal group that is classified as held for sale
- b) When the asset is de-recognised.
- c) When the asset is fully depreciated

22.4. The useful life of an item of property, plant and equipment should be reviewed periodically and, if expectations are significantly different from previous estimates, the depreciation charge for the current and future periods should be adjusted.

22.5. Depreciation rates are as follows:

Land	Not depreciated
Buildings	50 Years
Plant & Machinery	10 Years
Furniture and equipment	5 Years
Motor Vehicles	5 Years



Computer Equipment

3 Years



## 23. Appendix A – Approval limits and authorisation

Activity	Value	Authorisation or reporting
Writing off debts and losses	£45,000 per transaction or 2.5% of total annual income in any one financial year per category Above these limits	TiLA Board  Secretary of State via ESFA
Entering into guarantees, indemnities or letters of comfort	£45,000 per transaction or 2.5% of total annual income in any one financial year per category Above these limits	TiLA Board  Secretary of State VIA ESFA
Staff Severance see 2.4 Financial Handbook	Up to £50,000 Over £50,000	Chief Executive HM Treasury via EFA
Freehold sales or purchase	All	Secretary of State via ESFA
Granting any leasehold or tenancy agreement	All	Secretary of State via ESFA
Taking up any leasehold or tenancy agreement for more than 3 years	All	Secretary of State via ESFA
Novel and contentious transactions see 2.4 Financial Handbook	All	ESFA
Borrowing	All	Secretary of State via ESFA
Finance lease	All as it involves borrowing	Secretary of State via ESFA
Operating Lease	Not more than 3 years duration  Over 3 years	Chief Executive / Director of Finance & Operations Secretary of State via ESFA
Managing a surplus	Substantial	Chief Executive – A clear plan must be in place
Fraud or Irregularity	All cases  Over £5,000 to be reported	Chief Executive / Director of Finance & Operations ESFA



## **24. Appendix B – Guidance for issue to Internal Auditors**

### **The Role of the Internal Auditor**

22.1 The role of the Internal Auditor (IA) is to provide the Accounting Officer, Director of Finance & Operations and the Audit Committee with an on-going independent oversight of the Trust's financial systems and controls. Most public sector organisations, and a growing number of private sector organisations, are required to have an internal audit service but due to the relatively small size of academies, this requirement is thought to be too onerous.

In the absence of an internal audit service, it falls to the Internal Auditor to provide independent assurance that: -

- the financial responsibilities of the Trust are being properly discharged
- resources are managed in an efficient, economical and effective manner
- sound systems of internal financial control are being maintained and financial considerations are fully taken into account in reaching decisions.

22.2 The Internal Auditor should be an appropriately qualified and experienced individual not on the Trust's staff, with the necessary financial interest and skills to be able to perform the role competently. The Internal Auditor is not expected to do the detailed accounting work personally, but will be required to check some transactions to ensure that the correct procedures have been followed. The Internal Auditor will need to be sufficiently familiar with the finances of the Trust to be able to report and hence indirectly to the ESFA, that the above requirements have been met.

### **Performance of the Internal Auditor Role**

22.3 The conditions of ESFA grant, and the financial procedures which the ESFA expect the Trust to follow, are described in the DfE Academies Financial Handbook, which expands upon the Trust's funding agreement with the Secretary of State. Further details may be set out from time to time in financial circular letters, and in the annual funding letters. The main purpose of the Internal Auditor role is to ensure that these requirements are followed.

22.4 Internal Auditors are often consulted before significant financial decisions are taken and provide a useful source of advice for academies. However, the Internal Auditor should also perform a wider role by visiting each school on a basis to be determined by the Audit Committee and undertaking a series of detailed tests to confirm the operation of the main financial systems. Details of the expected checks are agreed at the beginning of each Scholastic year with the Director of Finance & Operations and the Audit Committee.

22.5 Written records of the checks performed by the Internal Auditor should be maintained.

### **Tests to be undertaken by the Internal Auditor Each Year,**

22.6 The Internal Auditors transactional tests will cover Payroll, Purchases, Income, the accounting system (control account reconciliations etc). Other tests will be decided / scheduled on a rotational and risk basis in discussion with the Audit Committee.



## 25. Appendix C

The Authority levels noted below refer to the authorisation of the whole value of an order for purchases or a contract for the life of the contract i.e. that if a contract is for 2 years that we consider the value of the contract over the whole period.

### Schools

Activity	Value	Authorisation or reporting
Authority to purchase goods or services	£0 to £500	Budget Holder, SBM or Head
Authority to purchase goods or services	£501 to £3,000	Budget holder and SBM / Head
Authority to purchase goods or services	£3,001 to £10,000	Budget holder and SBM / Head to authorise
Authority to purchase goods or services	£10,001 to £19,999	Head and Governing Body
Authority to purchase goods or services	£20,000 - £100,000	Finance & Operations Committee
Authority to purchase goods or services	Over £100,000	TiLA Board

Method of purchasing	Up to £10,000	Three quotes should be obtained where reasonably possible to ensure that best value is achieved. Copies of any quotations obtained should be retained by the business department for audit purposes. Telephone quotes and internet price searches are acceptable if these are evidenced.
Method of purchasing	£10,000 to £50,000	At least three written quotations should be obtained for all orders between £10,000 and £50,000 to identify the best source of the goods /services. Written details of quotations obtained should be retained by the business department for audit purposes. Telephone quotes and internet price searches are acceptable if these are evidenced and faxed / emailed confirmation of quotes has been received before a purchase decision is made.
Method of purchasing	£50,000 to £100,000	All goods and services ordered with a value between £50,000 and £100,000 or for a series of contracts in total must have three written quotes or purchased via a framework agreement. The budget holder must discuss and agree with the Director of Finance & Operations on how best to procure the items.



Method of purchasing	Over £100,000	<p>All goods and services ordered with a value over £100,000 or for a series of contracts which in total exceed £100,000 must be subject to formal tendering procedures. The budget holder must discuss and agree with the Director of Finance &amp; Operations on how best to advertise for suppliers e.g. general press, trade journals or use of procurement frameworks or to identify all potential suppliers and contact directly if practical.</p> <p>Purchases over £164,176 (threshold from 01/01/2016) may fall under EU procurement rules, which require advertising in the Official Journal of the European Union. Use of framework agreements is recommended to reduce the cost of procurement.</p>
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Review of quotes	Up to £19,999	Head and SBM
Review of quotes, opening of tenders etc	£20,000 to £49,999	Head or SBM, Director of Finance & Operations or CEO plus member of Governing Body
Opening of tenders and contracts	£100,000 and over	Head or SBM, Director of Finance & Operations or CEO plus representative of the TiLA Board

Orders requiring LGB, TiLA Finance Committee or TiLA Board approval will be authorised on Sage by the Director of Finance & Operations once evidence of approval has been received. This will be electronically stored on Sage along with any other relevant order documentation.



## TiLA Central goods and services

Activity	Value	Authorisation or reporting
Authority to purchase goods or services	Up to £19,999	Chief Executive or Director of Finance & Operations
Authority to purchase goods or services	£20,000 - £100,000	Finance & Operations Committee
Authority to purchase goods or services	Over £100,000	TiLA Board

Method of purchasing	Up to £10,000	Three quotes should be obtained where reasonably possible to ensure that best value is achieved. Any quotations obtained should be retained for audit purposes. Telephone quotes and internet price searches are acceptable if these are evidenced.
Method of purchasing	£10,000 to £50,000	At least three written quotations should be obtained for all orders between £10,000 and £50,000 to identify the best source of the goods /services. Written details of quotations obtained should be retained for audit purposes. Telephone quotes and internet price searches are acceptable if these are evidenced and faxed / emailed confirmation of quotes have been received before a purchase decision is made.
Method of purchasing	£50,000 to £100,000	All goods and services ordered with a value between £50,000 and £100,000 or for a series of contracts in total must have three written quotes or purchased via a framework agreement.
Method of purchasing	Over £100,000	All goods and services ordered with a value over £100,000 or for a series of contracts which in total exceed £100,000 must be subject to formal tendering procedures. Purchases over £164,176 (threshold from 01/01/2016) may fall under EU procurement rules, which require advertising in the Official Journal of the European Union. Use of framework agreements is recommended to reduce the cost of procurement.
Opening of tenders and contracts	£20,000 - £50,000	Chief Executive and Director of Finance & Operations
Opening of tenders and contracts	Over £100,000	Chief Executive and/or Director of Finance & Operations and a representative of the TiLA Board.

