

# Finance Policy & Procedures Manual

## Implementation:

## **CONTENTS:**

### **1. INTRODUCTION**

- 1.1 Purpose of this Manual
- 1.2 Who should read it?

### **2. FINANCIAL MANAGEMENT STRUCTURE**

- 2.1 The Trustees
- 2.2 Resources Committee
- 2.3 Accounting Officer
- 2.4 Finance Director
- 2.5 Academy Principals / Heads of Academy
- 2.6 Budget Managers
- 2.7 Staff
- 2.8 Audit Committee / responsible officer

### **3. FINANCIAL PLANNING & MONITORING**

- 3.1 FST Academies Development Plan
- 3.2 Annual Budget Setting
- 3.3 Medium Term Financial Planning
- 3.4 New Developments
- 3.5 Rolling forward of unspent balances
- 3.6 Issuing budgets to managers
- 3.7 Budget Virements
- 3.8 Monitoring and Review

### **4. FINANCE SYSTEMS & PROCEDURES**

- 4.1 Accounting system
- 4.2 Transaction processing
- 4.3 Account reconciliation

### **5. PAYROLL SYSTEMS & PROCEDURES**

- 5.1 Staff appointments
- 5.2 Payroll administration
- 5.3 Payroll Payments
- 5.4 Payroll Accounting
- 5.5 Year-end
- 5.6 Payroll and contractors

### **6. SYSTEMS BACKUP & SECURITY**

## **CONTENTS (Continued):**

### **7. ORDERING & PURCHASING**

- 7.1 Effective Procurement
- 7.2 Scheme of Delegation
- 7.3 Purchase Requisitions & Orders
- 7.4 Authorising Purchase Orders
- 7.5 Goods & Services Received
- 7.6 Invoices Received
- 7.7 Invoice Payments
- 7.8 Direct Debit Payments
- 7.9 Self Employed Contractors
- 7.10 Expenses Claims & Reimbursements
- 7.11 Governors Expense Claims & Reimbursments
- 7.12 Purchase Cards

### **8. GRANT INCOME, OTHER INCOME & DIRECT DEBIT COLLECTION**

- 8.1 Trip and cashless catering
- 8.2 Lettings income
- 8.3 Nursery Income
- 8.4 IT device DD collection

### **9. CASH MANAGEMENT & BANKING**

- 9.1 Custody
- 9.2 Cash Management
- 9.3 Bank Accounts
- 9.4 Bank Deposits
- 9.5 Bank Payments & Withdrawals
- 9.6 Academy Bank Account Administration
- 9.7 Petty Cash Accounts
- 9.8 Physical security
- 9.9 Cash Flow Forecasts
- 9.11 Investments

## **CONTENTS (Continued):**

### **10. FIXED ASSETS**

- 12.1 Asset Register
- 12.2 Security of Assets
- 12.3 Disposal of Assets
- 12.4 Loan of Assets
- 12.5 Capitalisation

## **11. INSURANCE & RISK MANAGEMENT**

14.1 Insurance

14.2 Risk Management Policy

## **12. GIFTS & HOSPITALITY POLICY**

## **13. WHISTLE BLOWING POLICY**

## **14. FRAUD AND CORRUPTION POLICY**

## **APPENDICES**

- 1. Resources Committee – Terms Of Reference**
- 2. Scheme of Delegation**
- 3. Audit Committee – Terms of Reference**
- 4. Resource Accountability Statement**
- 5. Tendering process**
- 6. Expense Claim Form**
- 7. Lettings Policy**
- 8. IT Device Sales Agreement**
- 9. IT Device Hire Agreement**
- 10. Risk Register**
- 11. Gifts and Hospitality Policy**
- 12. Whistle Blowing Policy**
- 13. Fraud and Corruption Policy**

## **1. INTRODUCTION**

### **1.1 Purpose of this Document**

The Trustees of Future Schools Trust are responsible for ensuring that the financial affairs of its academies are managed in a competent, efficient and professional manner, with

- good financial planning
- sound internal controls
- accurate reporting
- appropriate use of grant funding
- value for money
- safeguarding of assets
- sustainability

This document outlines the policies and procedures that have been adopted by FST to deliver this responsibility. The document is put into practice by the senior management team, the finance team, and budget managers.

In practice, the Trust uses the senior management team, finance team, budget managers to implement the controls within this manual to protect the Trust.

#### **Who needs to read it?**

Finance team, senior management team, budget managers, any staff involved in decisions which have a financial consequence.

## **2. FINANCIAL MANAGEMENT STRUCTURE**

FST's finances are managed within the following organisational structure:

### **2.1 The Trustees**

The Trustees of FST have ultimate responsibility for its finances and it has put in place the following organisational structure to make sure this responsibility is effectively met. The main responsibilities of the Trust are prescribed in the Master Funding Agreement between the academy and the DfE. The Memorandum and Articles of Association set out how the decision making process works. The main responsibilities of the Trustees include:

- Ensuring that grant from the EFA is used only for the purposes intended;
- Ensuring that the Academies balance their budgets from year to year
- Approval of the annual budget;
- Establishment of a Resources Committee, setting and varying its terms of reference and reviewing its work.
- Establishment of an Audit Committee

### **2.2 Resources Committee**

The Resources Committee has been established with a combined terms of reference. The Resources Committee will oversee the financial affairs of FST and report as appropriate to the Full Governing Body.

The Resources Committee's full Terms of Reference are attached at [Appendix 1](#) and Scheme of Delegation is attached at [Appendix 2](#)

### **2.3 Accounting Officer**

The Chief Executive is the Accounting Officer for the Trust.

The Accounting Officer is personally responsible to the Trustees for ensuring regularity and propriety, and for the economic, efficient and effective use of resources (i.e. ensuring value for money), and administration of the financial affairs of the Academies. The Accounting Officer must ensure that any financial requirements from the Academy Development Plan are accommodated within the approved annual budget. The Accounting Officer may delegate or appoint others, such as a Finance Director, to assist in carrying out these responsibilities.

### **2.4 Finance Director**

The Finance Director is responsible for:

- The day to day management of financial issues including payments, invoicing, payroll and operation of voluntary fund
- Maintenance and operation of suitable accounting systems

- Management of FST's financial position at a strategic and operational level
- The maintenance of effective systems of internal control
- Abiding by the provisions of the Academies Financial Handbook
- Setting of a balanced annual budget for submission to Resources Committee, in consultation with the Chief Executive, Academy Principals and budget managers
- Monthly budget monitoring and reporting to Chair of Resources Committee and Academy Principals
- Termly reporting to Resources Committee, with latest budget monitoring, variance analysis and revised forecasts
- Authorising transactions and staffing establishment in accordance with FST's scheme of delegation
- Ensuring the publication of fully audited end of financial year accounts in accordance with the format and timetable prescribed by the Secretary of State, and ensuring the accounts are lodged with Companies House.
- Ensuring that financial returns are sent to the DFE in line with their published timetable.
- Arranging appropriate insurance in conjunction with the Director of Site and ICT

## **2.5 Academy Principals**

Academy Principal's are responsible for delivering the Academy Development Plan (ADP) within the budget approved by the Trustees

Specific finance responsibilities are:

- Managing expenditure against allocated budgets for staffing, and other central budgets held at Head of Academy level
- Providing a forecast of expenditure and income, and reasons for any variances reported, for the central budgets held at Head of Academy level, in accordance with timetable issued by Finance
- Ensuring that all budgets allocated to them are spent for the intended purposes and with a view to obtaining the best possible value for money.
- Authorising transactions according to the FST's Scheme of Delegated Authority
- Overseeing the Academies delegated budget as a whole

## **2.6 Budget Managers**

Budget managers are responsible for:

- Managing expenditure against allocated budgets
- Providing a forecast of expenditure and income, and reasons for any variances reported, for the budgets assigned to them in accordance with the timetable issued by Finance
- Reporting any significant budget pressures to the Finance Director at the earliest opportunity.
- Ensuring that all budgets allocated to them are spent for the intended purposes and with a view to obtaining the best possible value for money.
- Placing all orders through Finance. In exceptional circumstances permission can be given by the Finance Director to place orders direct, but this must be followed up immediately by a purchase order.
- Ensuring purchasing decisions are approved at the correct level according to the FST Scheme of Delegated Authority

## **2.7 Staff**

All staff, whether or not they are budget managers, must:

- Ensure that they do not take decisions which result in a financial commitment without first obtaining authorisation from the relevant budget manager. If in doubt staff should contact the Finance team before taking action which might result in a cost to the Academy.

## **2.8 Audit Committee / Responsible Officer**

The Audit Committee has been established to provide assurance over the suitability of, and compliance with, its financial systems and operational controls and to take into account the differing risks and complexity of its operations. The responsible officer role is undertaken by FST's auditors as an independent oversight of the academy's finances and reports termly to the Audit Committee. The Audit Committee's terms of reference are attached as per [Appendix 3](#).

### **3. FINANCIAL PLANNING**

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

The development plan provides the framework for the annual budget. The budget is a detailed statement of the expected resources available to the academy and the planned use of those resources for the following year.

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

#### **3.1 FST Development Plan**

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

The development plan should include an overarching plan which covers the wider objectives of the Trust those which are common to all of the Trust's Academies. Each Academy should also produce its own development plan to feed into the Trust development plan.

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

Each year the Chief Executive will propose a planning cycle and timetable to the governing body which allows for:

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

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

The completed development plan will include detailed objectives for the coming academic year and outline objectives for the following two years. The plan should also include the estimated resource costs, both capital and revenue, associated with each objective and success criteria against which achievement can be measured.

For each objective the lead responsibility for ensuring progress is made towards the objective will be assigned to an academy manager. The responsible manager should monitor performance against the

defined success criteria throughout the year and report to the senior management team on a quarterly basis. The senior management team will report to the governing body if there is a significant divergence from the agreed plan and will recommend an appropriate course of action.

The timetable for the completion of plans needs to fall in line with the submission of final annual budgets that need to be submitted to the DfE.

### **3.2 Annual Budget Setting**

The Finance Director is responsible for preparing the first draft of the annual budget for each academy after the EFA has issued the grant figures for the forthcoming academic year. This will be done after a series of meetings with Senior Leadership Team (SLT) and key budget holders in order to ensure that any budget pressures or savings are identified and reflected in the budget. Any resource impact arising from the development plan should be reflected in the budget.

If there is a shortfall of funds, the Finance Director will work with the Chief Executive Academy Principals to identify savings in order to balance the budget. Planned expenditure for the year should not exceed income except where this is due to non-recurring expenditure which can be financed from funds carried forward.

The final budget will be presented to Resources Committee, followed by Full Governing Body in term 6 for approval, and submitted to the EFA by 31 July in accordance with their published timescale.

### **3.3 Medium Term Financial Planning**

In November, the Finance Director will produce a 3 year projection of income and expenditure, using the latest information available, e.g. latest announcements from the DfE/EFA on funding streams, and the latest LA formula budget. This will be updated as and when further information is received as the year progresses.

The Finance Director will consider the impact of the following when setting the budget for the forthcoming year:

- The latest published LA formula
- Announcements from DfE on funding
- Estimates based on the latest pupil data
- Current staffing structure and any known changes
- Budget pressures/savings and other income projections identified from the latest budget monitoring and meetings with key budget managers
- Budget pressures/savings and other income projections identified from the development plan
- Agreed formula for distributing budgets to curriculum managers
- Asset renewal strategy

### **3.4 New Developments**

FST is a forward thinking trust which explores innovative ways of improving the delivery of teaching and learning to its students, and works within the wider community to improve outcomes for children. For any new venture an Academy wishes to enter into, a plan should be prepared by the Academy Principal considering the aims and objectives of the venture. The plan must carefully consider the financial viability and sustainability of the venture. This will then need to be presented to the Finance Director and the Resources Committee for review, consideration and approval. Subject to approval, the venture will then be included in the overall budget setting process for the academy.

### **3.5 Rolling forward of unspent balances**

Unspent balances by individual budget holders will not normally be rolled forward from one year to the next.

### **3.6 Issuing budgets to managers**

Once Resources Committee and Full Governing Body have approved the budget, and before the beginning of the new academic year, budget managers should be notified of their allocations and asked to sign a Resource Accountability Statement. This statement should follow the format prescribed in [Appendix 4](#).

### **3.7 Budget Virement**

Virements will not normally be actioned unless they result from a change in responsibility for a particular project from one budget manager to another, or a specific change in policy agreed by Resources Committee, such as the withdrawal of budgets from managers in order to impact the financial position.

### **3.8 Monitoring and Review**

Budget managers may be asked to submit termly monitoring returns to the Finance Director in accordance with a published timetable, showing forecast income and expenditure against the cost centres they are responsible for. This information is fed into the summary level budget monitoring that is presented to the Resources Committee.

Each term, the Finance Director will prepare the following for presentation to the Resources Committee:

- a statement of revenue income and expenditure to date (up to the last full month), showing forecast income/expenditure against budget and resulting variances
- accompanying notes giving reasons for variances
- a balance sheet for the main fund for each academy
- a statement of capital income and expenditure to date (up to the last full month)
- a balance sheet for the voluntary funds for each academy

In reviewing the monitoring information, the Resources Committee should assess whether management action is necessary in order to impact the financial position, or whether the Academies priorities need to be re-assessed.

## **4. FINANCE SYSTEMS & PROCEDURES**

### **4.1 Accounting system**

All FST transactions must be recorded on the PS Financials accounting system. Entry to the PS Financials system is password restricted. The Finance Director is responsible for setting access levels for all members of staff using the system.

### **4.2 Transaction Processing**

All transactions input to the accounting system must be authorised in accordance with the procedures specified in this policy and procedures manual. The procedures for the operation of the payroll, the purchase ordering system and purchase ledger and the sales ledger are outlined in the following sections of this manual.

### **4.3 Account Reconciliation**

Nominated officers within the Finance team will ensure that bank account and control account reconciliations are performed each month, and that any reconciling or balancing amounts are cleared. The Finance Director will sign these reconciliations off as complete and correct.

## **5. PAYROLL SYSTEMS & PROCEDURES**

The main elements of the payroll system are:

- staff appointments;
- payroll administration
- payments
- payroll accounting

### **5.1 Staff Appointments**

The staff structure for each academy will be approved by the Trustees on an annual basis alongside the academy development plan and budget.

Changes can only be made to this structure with the approval of the Chief Executive, who must ensure that adequate budgetary provision exists for any structural changes. Any changes to the structure of the Senior Leadership Team will also require the approval of the Trustees.

All changes to staffing contracts (including the filling of vacancies, change in hours or pay, or changes to the approved structure) must be agreed with the Finance Director and Director of HR and Operations and then authorised by either the Chief Executive or Academy Principal before being actioned.

### **5.2 Payroll Administration**

The academy payroll is administered in house by the Finance team. All staff are paid monthly by BACS. Each month, staff are emailed the deadline for expenses and overtime claims.

The Finance department currently uses Sage Payroll (will be moving to Select Payroll April 2016) to produce the monthly payroll file. The payroll system is updated monthly by the Payroll Officer /Manager with:

- Starters and leavers information notified by HR
- Changes to existing contracts notified by HR
- Changes to pay as a result of e.g. sickness, maternity, paternity, or strike action, notified by HR
- Changes to bank details notified by staff members
- Expenses and overtime claims approved by budget holders

A central staffing spreadsheet is also updated to reflect contractual details, so that staffing costs can be accurately forecast. Payslips output from the payroll system are checked against the spreadsheet records to ensure that contractual gross pay is accurate on both systems and any discrepancies are investigated.

FST's auto-enrolment staging date was April 2014 and therefore auto-enrolment assessments are carried out each month to ensure that all eligible employees are either enrolled into a pension scheme or the correct opt-out documentation is held. Evidence of this process is held in accordance with Auto-enrolment procedures.

The pension schemes offered by FST comprise Local Government Pension Scheme (LGPS) and Teachers' Pension Scheme (TPS) and new starters are automatically enrolled into one of the schemes depending on eligibility. The relevant pension administrator is notified monthly of staff changes as per the scheme rules.

P45 documentation is generated post the current pay run being updated and sent to leavers.

HMRC regulations for monthly reporting are complied with by electronically sending FPS and EPS (if applicable) files by the due dates.

### **5.3 Payroll Payments**

Payslips are issued 5 days prior to pay day to allow any queries to be investigated and responded to before pay is credited to bank accounts.

After the payroll has been processed but before payments are dispatched, additional checks are made for each employees' net pay against that for the previous month and any variances are investigated. Pension contribution rates for each employee are analysed to ensure that the correct deductions are taken in accordance with scheme rules. A summary of any additional payments (excluding those already formalised in writing) is presented to each of the Academy Principals for review and authorisation.

The file is then uploaded to NatWest Pay Away by the Payroll Officer /Manager, who then prepares a reconciliation between the current month's and the previous month's gross salary payments showing a breakdown of changes e.g. adjustments made for new appointments, resignations, pay increases etc. This is presented to the Finance Director who then releases the payment.

Sage Payroll automatically calculates the deductions from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions. These payments are then made to the relevant agencies by BACS on the due date along with relevant monthly remittance advices.

### **5.4 Payroll Accounting**

After the payroll has been processed the nominal ledger will be updated by the Payroll Officer /Manager. Postings will be made both to the payroll control account and to the individual academies' nominal accounts and cost centres. The payroll control accounts are reconciled each month to ensure the correct amount has been posted from the payroll system and matches payments on the bank statements.

The monthly balances for each staffing cost centre in the accounts system are monitored to ensure that these are in line with the budget any variances are investigated and forecasts revised accordingly and included in the monthly monitoring reports to the Chair of Resources Committee and Academy Principals.

### **5.5 Year-End**

Year-end procedures are undertaken post the closure of March and August payrolls. Tax year end

procedures include submission of P35s for each Academy (changing to one submission for 2016-17) to HMRC as the final summary of tax, NI, student loan deductions and SMP reclaimed over the year. P60s are produced for each current employee and issued by the end of April ahead of HMRC's July deadline.

Annual returns to the relevant pension scheme administrators are prepared and sent in accordance with instructions and deadlines.

August year-end procedures are to comply with the preparation of information for inclusion in the audited Annual Accounts including a detailed analysis of employer's gross costs, reconciled between the payroll system and the accounting system.

### **5.6 Payroll and Contractors.**

National Insurance legislation and case law restrict how Academies pay for their specialists and consultants. If an Academy engages with a consultant, payment must be made through the payroll in order to correctly account for tax and NI, unless the consultant is registered as a limited company or self-employed and in the case of the latter HMRC certification is required or the individual will be paid via payroll.

## **6. SYSTEMS BACK UP & SECURITY**

It is crucial that financial information held electronically is safely protected from unauthorised access and that it is backed up regularly. A back up copy of the PS Financials database is taken on a daily basis and stored on a server. A weekly back up at close of business Friday is stored offsite.

The ICT Manager is responsible for ensuring that there is effective security and back up procedures for the system. The ICT Manager is responsible for safeguarding FST's computer systems against virus attack and other malware.

The Trustees should ensure that there is a Business Continuity Plan to ensure continuity of financial administration in case of emergency.

## **7. ORDERING & PURCHASING**

### **7.1 Effective Procurement**

FST want to achieve the best value for money from all our purchases. The majority of our purchases will be paid for with public funds, and therefore we need to be able to demonstrate that we have sought best value from those funds.

In so doing, all staff responsible for procuring goods or services should take the following steps to ensure best value is achieved:

- Ensure the correct goods are purchased
- Ensure the right quantity is bought – bulk purchases may offer a lower price, but this must be balanced by ensuring there is no wastage. Consider pooling with other schools to bulk purchase.
- Ensure that the correct quality is bought – the goods/services must be fit for purpose but not over specified.
- Purchase at the right price. For larger purchases it is good practice to consider alternative suppliers and compare pricing. For orders of £5,000 or more, three quotes will be required unless the order is made through Kent County Supplies, or there is already an agreed contract in place, or there is only one supplier that could meet our specification. For more routine purchases, there will be times when supermarkets or discount stores may be offering certain goods at lower prices than our usual suppliers, however before deciding to purchase from them, consider the cost of time taken out of school to shop for goods relative to the discount that can be achieved, and also the need to request a full VAT invoice which may not be automatically produced at the till. In some cases it will not be worth the additional time and effort to shop around for routine items
- Ensure the money spent is an appropriate use of academy funding. For example, it would be more appropriate for staff to contribute to a retirement gift, rather than to use Academy funding.
- Ensure that no personal gain is being made by any member of staff or relative of a member of staff as a result of a purchasing decision. If there is any doubt, ensure that three quotes are obtained in order to satisfy the Trustees that the chosen supplier offered the best value.

### **7.2 Scheme of Delegated Authority**

The FST scheme of delegated authority is attached at [Appendix 2](#), which outlines the values to which FST employees can commit the company. The following controls should be observed:

- Individual transactions over £5,000 and below £25,000 require three written quotes. These should be authorised by the Finance Director. If three quotes have not been received, a justification should be submitted to the Finance Director for authorisation. It may be that the budget holder is unable to find three suppliers that could meet our specification. Evidence of this should be documented. If the cheapest quote is not chosen, the reasons should be documented and authorised by the Finance Director and Academy Principal

- Individual Transactions over £25,000, total purchases for goods and services ordered with a value over £25,000, or for a series of contracts which in total exceed £25,000 must be subject to formal tendering procedures.
- Purchases over £164,176 (threshold from 1<sup>st</sup> January 2016) may fall under EU procurement rules which require advertising in the Official Journal of the European Union and or via Crescent Purchasing Consortium. Any contracts of this value should be discussed with the Finance Director so that the appropriate procedures can be followed.

The tendering process is outlined at [Appendix 5](#)

### **7.3 Purchase Requisitions and Orders**

All ordering should be done via the Finance Team. Budget holders must raise a Purchase Order (PO) on PS Financials from their web portal or using a manual form. This will generate an email to Finance who will then forward the official order through to the supplier. The Finance Team have purchase card facilities and can order items online if required.

If the required supplier is not set up on the system, the budget holder should contact the Finance Team in order to get the supplier set up in order to proceed with the order.

If a service is being procured as a result of a discussion with other agencies, such the engagement of a specialist teacher or counsellor, a formal PO should follow as soon as possible after the contract has been agreed.

POs should only be used for goods and service provided to the school. Individuals must not use official orders to obtain goods and services for their private use.

POs should be raise for annual and regular supplier contracts and direct debits such as rates in the equal instalments set out in the agreed payment schedule.

### **7.4 Authorising Purchase Orders**

POs can only be raised by Budget Holders against their own allocations, representing the first level of authorisation. If under £1,000, the PO will be authorised by a member of the Finance Team. If for any reason the web portal is unavailable, POs can be raised using a paper form which must be signed by the Budget Holder and then posted onto the system by the Finance Team.

For orders over £1000, the Academy Principal will receive an automatic email asking them to authorise the PO electronically via the web portal. Manual POs will be authorised via signature before being processed.

### **7.5 Goods and Services Received**

All deliveries should be addressed to the relevant Academy. Budget holders are responsible for checking the goods received note (GRN) against their order to ensure that any discrepancies are identified and

communicated to the supplier promptly. Some suppliers, e.g. KCS have a three day period for discrepancies to be raised with them.

GRNs should be signed by the budget manager and returned to Finance for processing on the system. If the GRN matches the invoice, the invoice can be paid promptly without recourse to the budget manager for a further signature.

If no GRN is received, the invoice should be checked against the original PO. The Finance Team will raise any discrepancies with the budget manager so that the supplier can be contacted to resolve any errors before the invoice is paid.

The Finance Team should review the file of incomplete orders on a *monthly* basis and check with budget holders / suppliers as to the status of the order. A report showing 'open' orders is available from PS Financials.

If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the budget manager should notify the Finance Team.

## **7.6 Invoices Received**

All invoices should be sent to the Finance Team at Cornwallis Academy. If the Finance Team have received a signed GRN from the budget manager that matches the PO, the invoice can be processed without further authorisation from the budget manager. Where no GRN has been received and signed off, the budget holder must sign the invoice to demonstrate that the goods and services have been received.

The Finance Team will match the invoice to the PO and GRN (if one exists) on PS Financials, and the invoice then becomes ready for payment.

Occasionally invoices will be received without a PO having been raised. In these circumstances the Finance Team will have to identify the budget manager, post the invoice onto PSF and then forward the invoice to the budget manager for authorisation. This absence of a purchase order can cause delays as the payment process as time is spent identifying the correct budget to charge against before authorisation can begin.

## **7.7 Invoice Payments**

Invoices are generally paid by BACS or direct debit but can also be paid by cheque, Bankline payment or CHAPS if necessary.

In preparing for a BACS run, a member of the Finance team will export the file from PSF into Excel, amend the format as necessary upload onto the BACS system. A printout of the transactions is then attached to the invoices and sent for authorisation by two approved bank signatories. Once the paperwork has been returned, duly authorised, the Deputy Head of Finance or the Finance Director releases the file on the BACS system.

If an urgent payment is required outside of the weekly supplier BACs run, a one-off payment is generated in PSF and passed for payment to the Senior Finance Officer and this is generated via Bankline. Two authorised signatures are obtained on the payment and the Finance Director authorises the Bankline payment. In the rare cases of payment by cheque, the Finance Officer writes a cheque and obtains two authorised signatures on the cheque and on the cheque stub.

## **7.8 Direct Debit Payments**

Suppliers that are paid by direct debit will be set on the supplier ledger as payment by direct debit, so that these do not appear on the supplier payment run. These will include utility suppliers and contracted services such as photocopying and premises maintenance. Where the schedule of payments is known, POs should be raised in advance. However, where the monthly value fluctuates according to usage then a PINV is raised upon receipt of the invoice in order to reconcile against the DD deduction on the bank statements.

## **7.9 Self-employed Contractors and the CIS**

When engaging a contractor, particularly from a small or a one-man business, the employment status should first be established. If the individual is offered terms, e.g. an hourly rate of pay and/or equipment and materials are provided by FST, this can be regarded as an 'employment' and payment should be made via the payroll, with the appropriate payroll deductions being made.

To find out if someone is employed or self-employed, look at the Inland Revenue's website:  
<http://www.hmrc.gov.uk/employment-status/index.htm#1>

Once employment status is established, FST can engage with self-employed contractors and as a charity, is exempt from the Construction Industry Scheme.

## **7.10 Expenses Claims & Reimbursements**

FST will refund the actual travelling and reasonable out of pocket costs incurred by employees wholly, exclusively and necessarily incurred in the performance of the duties of their employment. An expenses claim form is attached at **Appendix 6** and this should be completed and returned to Finance by the specified deadline. Claims must be authorised by the Head of Department and then a summary of claims paid via payroll is counter-signed by the Academy Principal.

### **Mileage**

Mileage will be reimbursed at 40 pence per mile for business travel only. This excludes any private travel such as commuting to and from work. Where employees are travelling to a business destination directly from home, FST operate the "lesser of" rule, whereby employees can claim the lesser of:

- The actual number miles incurred from home to the destination
- The number of miles between the employee's normal workplace and the destination

Return journeys are treated as a separate claim. If going straight from the business destination to home, the employee can claim the lesser of:

- The actual number of miles incurred from the destination to home
- The number of miles between the business destination and the employee's normal workplace

### **Other expenses**

Expense claims should be limited to £20 for non-travel items. Any purchases for larger sums need to be authorised by the Finance Director before expenditure is incurred. All expenses must have a VAT receipt wherever possible, which shows:

- full name and address and VAT registration number of supplier,
- date,
- description of goods/services,
- for each VAT rate applicable the total amount payable including VAT, and the VAT rate charged

### **7.11 Governors Expense Claims & Reimbursements**

FST allows governors to claim expenses for:

- Telephone charges
- Photocopying costs
- Stationery and postage
- Travel, mileage and subsistence expenses associated with attending meetings or training events

Expense claims are authorised by the Finance Director and the Director of HR and Operations or Chief Executive officer. In addition, Governors expenses are an area for independent review and inspection by FST's external auditors.

### **7.12 Purchase Cards**

There are purchase cards for each Academy to enable FST to purchase goods via the internet and over the telephone. Cards must be kept secure at all times and card numbers and PIN numbers are NOT to be divulged without reference to the Finance Director. The monthly expenditure limit is £10,000 for each card.

FST purchase cards are NOT used to withdraw cash. Purchases made using the card should follow the same procedures outlined above for purchase requisitions and orders and gaining the correct authorisation prior to ordering goods. Where possible a VAT invoice should be requested at the point of ordering the goods.

### **Accounting**

Finance has access online to view the transactions daily if required. Credit card statements are received monthly. The monthly purchase card reconciliation entails

- ensuring a corresponding PO matches each deduction duly authorised by the budget holder and chase for any missing VAT invoices
- recording the VAT details if applicable for each transaction on a spread sheet to allow inclusion in the monthly VAT126 claim (see month end procedures)
- create and post a journal charging each transaction to the corresponding cost centre against the control account
- Reconcile control account to debit on the bank statement
- charging each transaction to the relevant cost centre in PSF and the total is charged against the control account to be reconciled against the debit on the bank statement
- Any expense that is considered chargeable to more than one department or academy should be split equally amongst the concerning cost centres.

## **8. GRANT INCOME, OTHER INCOME AND DIRECT DEBIT COLLECTION**

The Finance Officer is responsible for checking grant income against the schedule from the DfE and Local Authority for high needs SEN funding. Any discrepancies are reported to the Finance Director

Other income sources comprise:

- Students via the Voluntary Fund, mainly for trips and cashless catering
- Lettings clientele
- Nursery fees
- IT device scheme Direct Debit collections

### **8.1 Trips**

A lead teacher must be appointed for each trip to take responsibility for notifying parents details relating to the trip and collection of permission slips. Prior to communicating with parents, each trip is assessed for relevance and financial sustainability and a report is signed off by SLT and the Finance Director.

Students should make payments at the Academy Finance Office and these are recorded against the student making the payment in the Voluntary Fund system.

The Finance Officer 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 an agreed basis and missing payments chased at the first point by the teacher and then by the Finance Officer if necessary

### **8.2 Cashless catering**

Online payment facilities are in place to allow parents to use debit or credit cards to top-up the balances on students' catering cards. This reduces the volume and risk associated with cash handling. If cash or cheques are received from the student the Finance Officer records the income on the system whilst the receptionist allocates the credit to the card.

### **8.3 Lettings Policy**

The Finance Officer (FO) is responsible for maintaining records of bookings of sports and other facilities and for identifying the sums due from each organisation.

The Academy FO must establish a sales ledger account and produce a sales invoice from the PS Financials accounting system for individuals and organisations making lettings. The FO must chase up unpaid accounts on a regular basis. A review of outstanding debts will form part of the monthly internal controls.

No debts should be written off without the express approval of the FD and within delegated limits.

Organisations using the sports and other facilities should be instructed to send all payments to the Academy Finance Office. FST's Letting Policy is attached as per [Appendix 7](#).

#### **8.4 Nursery Income**

Nursery fees are calculated for the academic year and divided into equal monthly payments. Invoices are raised and issued to parents at the beginning of each month. The majority of parents comprise Trust staff and therefore deductions are taken via payroll to reduce banking costs and risk of non-payment. Childcare voucher scheme is an accepted method of payment.

A review of outstanding debts forms part of the monthly internal controls.

#### **8.5 IT Device Scheme Direct Debit (DD) Collection**

A control spread sheet is held recording a student's choice of purchased IT device and payment option. Where parents have elected to purchase outright a sales agreement is drafted as per [Appendix 8](#), and if payment is via a payment plan a Hire Agreement is drawn up as per [Appendix 9](#).

For the latter a direct debit mandate and proof of identity is obtained and held on file. The relevant submissions are made to the payee's bank under the BACs scheme rules to set-up permission to collect payment.

A spread sheet detailing payees' bank details and monthly deduction amounts is used to create the monthly DD file. The FO uploads the DD file into the BACS system and the Finance Director signs and sends the file. The collection via DD is recorded in the system as sales income.

Rejected collections where this is referred to payee are represented a week to 10 days post the original collection. If collection is rejected due to a cancelled DD instruction, the parent is requested to contact the Academy to discuss arrears and alternative payment schedules.

A review of outstanding debts forms part of the monthly internal controls.

## **9. CASH MANAGEMENT AND BANKING**

### **9.1 Custody**

All cash and cheques must be kept in the Finance Office safe prior to banking. Banking should take place every week or more frequently if the sums collected exceed the £3,000 insurance limit on the Finance Office safe. FST uses Loomis to collect cash weekly from each location.

Monies collected must be banked in their entirety in the appropriate bank account. The FO (at the academy) is responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system. The reconciliations must be prepared promptly after each banking and must be reviewed and certified by the Finance Director.

### **9.2 Cash Management**

The financial resources of FST will be managed through a current account for each entity in the Trust and a liquidity account linked to each current account to sweep surplus funds into an interest bearing account. Each current account maintains a minimum £10,000 credit balance.

### **9.3 Bank Accounts**

The opening of all accounts must be authorised by the board 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.

### **9.4 Bank Deposits**

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.

### **9.5 Bank Payments and Withdrawals**

All cheques and other instruments authorising withdrawal from each academy current account must bear the signatures of two authorised signatories. The bank account signatories must be approved by the Board.

### **9.6 Academy Bank Account Administration**

FST receives bank statements weekly and the Senior Finance officer reconciles the bank accounts on a weekly basis. Reconciliation procedures must ensure that:

- all bank accounts are reconciled to the academy's cash book;
- reconciliations are subject to an independent review and countersigned by the Finance Director
- adjustments arising are dealt with promptly.

### **9.7 Petty Cash Accounts**

Each location maintains a maximum cash balance of £500. The cash is administered by the FO up to a value of £20. Any claims over this amount need the authorisation of the Finance Director.

The FO is responsible for entering all transactions into the petty cash records on a regular basis and ensuring the appropriate receipts and VAT receipts are kept. A petty cash journal is raised and posted in PSF charging the relevant cost centre for the expense. Regular reconciliation is undertaken to ensure that the cash balance reconciles to supporting documentation and where necessary a cheque is raised to maintain the balance of £500. Any cheque raised will follow the payment procedures detailed in section 7.

### **9.8 Physical Security**

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

All key reconciliation's for bank, petty cash and control accounts are covered by the internal controls.

### **9.9 Cash Flow Forecasts**

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

### **9.11 Investments**

Surplus funds will be cleared on a daily basis to an interest bearing account automatically by the bank. In addition the Finance Director is expected to review the future cash requirements and place funds on time based deposits to maximise investment income. The Resources Committee will approve the investment policy in line with the audited annual report and financial statements.

## **10. FIXED ASSETS**

### **10.1 Asset register**

FST holds its asset register centrally and it the responsibility of the Finance Director.

All items purchased with a value over FST's capitalisation limit (£1,000) must be entered in the asset register. The asset register should include the following information:

- asset description
- asset number
- serial number
- department
- date of acquisition
- asset cost
- expected useful economic life
- depreciation
- current book value
- accumulated depreciation
- location
- PSF nominal code
- name of member of staff responsible for the asset

The Asset Register helps:

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

### **10.2 Security of assets**

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

There should be a regular (at least annual) inspection 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 governing body. Inventories of academy property should be kept up to date and reviewed regularly.

### **10.3 Disposals of Assets**

Items which are to be disposed of by sale or destruction must be authorised for disposal by the Finance Director up to the value of £20,000 over this value approval is required from the Resources Committee.

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

#### **10.4 Loan of Assets**

There is no policy for any asset/property of the trust to be removed from the premises unless it is an item required by the individual to carry out their duties, e.g. a laptop or mobile phone.

#### **10.5 ICT Equipment**

The FST Director of ICT is responsible for compiling a list/register of all ICT non-consumables and serial numbers where relevant even if some of the items are showing on the asset register as capitalised goods.

## **11. INSURANCE AND RISK MANAGEMENT**

### **11.1 Insurance**

FST will maintain insurances with a group policy co-ordinated centrally against the commonly identified risks which include (but are not limited to):

- Property Damage
- Business Interruption
- Money
- Engineering Inspection/Insurance
- Public Liability
- Employers Liability
- Hirers Liability
- Libel and Slander
- Governors/Trustees Liability
- Fidelity Guarantee
- Personal Accident
- Motor
- Legal Expenses
- School Journey

FST will review all risks annually with a centrally agreed insurance provider and at all times in the light of specialist professional advice, to ensure that the sums insured are commensurate with the risks.

All Academies shall display such notices regarding insurances as shall be required by statute, in particular, the statement of Employer's Liability Insurance. At no time shall any school give any indemnity to any third party without the written consent of the insurers.

### **11.2 Risk Management**

Risk is one of life's certainties and how successfully organisations deal with it can have a major impact on the achievement of their key goals. Often relatively little is formally done to evaluate and manage risk.

FST has a Risk Management Policy (*see Appendix 10*) which aims to raise awareness about the need to address strategic and operational risks and to provide good practical guidance the Trust to manage such risks in an effective and formal way. The Risk Management Policy is reviewed annually and presented to the Audit Committee.

**12. GIFTS AND HOSPITALITY POLICY**

FST has a Gifts and Hospitality Policy and this is attached at [\*Appendix 12\*](#)

**13. WHISTLE BLOWING POLICY**

FST has a Whistle Blowing Policy and this is attached at [\*Appendix 13\*](#)

**14. FRAUD AND CORRUPTION POLICY**

FST has a Fraud and Corruption Policy and this is attached at [\*Appendix 14\*](#)