



# Finance Policy and Operating Manual

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<b>Last review date</b>	June 2018
<b>Next Review date</b>	June 2021
<b>Review Cycle</b>	3 Years
<b>Statutory Policy</b>	No
<b>Publication</b>	Website. Sharepoint/Policies

## Finance Policy

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## 1. AIMS

This document has been adopted by The Small Schools Multi Academy Trust (the Trust)'s Board of Directors, as the basis for the administration and management of finances. The aim of the policy is to create a framework within which individual members of staff, Board Members and other interested parties, can exercise financial management, probity and stewardship in an efficient and effective way.

This policy ensures that the Board of Directors retains responsibility for the management of the budget, whilst providing a framework within which the Chief Executive Officer (CEO) can manage the budget on a day-to-day basis. It is essential that all parties are aware of their roles in the financial management of the Trust.

## 2. OVERALL MANAGEMENT RESPONSIBILITIES

The Small Schools Multi Academy Trust and the Board of Directors have a collective responsibility for the overall direction of the Trust and its strategic management and have a responsibility not only to be effective but to be seen to be effective.

The Board of Directors will manage and administer its affairs in accordance with high standards of Public Sector administration, based on a distinct set of values, the fundamental principles of which are: -

- **Openness** – Board Members should be as open as possible about all decisions and actions that they take. They should give reasons for their decision and restrict information only when the wider public interests clearly demands.
- **Integrity** – Board Members should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in their performance or their official duties.
- **Accountability** – Board members are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- **Selflessness** – Board Members should act solely in the public interest and not in a way that is likely to confer financial benefits, preferential treatment or other advantage, on others.
- **Objectivity**– In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards or benefits, decisions will be made on merit.
- **Honesty** – Board of Directors have a duty to declare any private interest relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interests.
- **Leadership**– those in leadership should promote and support the above principles by leadership and example, always acting in such a way to preserve public confidence in the Board of Directors.

Board Members and Trust Management will have regard to: -

- The Education Funding Authority (EFA) Academies Financial Handbook
- Minimum standards of financial management as set out in the DfE/Master Funding Agreement, including Financial Regulations and Contract Standing Orders.
- Advice and guidance relating to the financial performance of TRUSTs arising from the work of Ofsted, internal audit and external audit providers, and other interested parties.

The Trust believes that staff should be able to raise concerns properly, in confidence and without prejudice to their personal position. Where appropriate, this will include an opportunity to raise concerns outside the line management structure, in accordance with the TRUST's **Whistleblowing Policy**.

### **3. ORGANISATION AND RESPONSIBILITIES**

The Board of Directors recognises the importance of clearly defining the roles and responsibilities of its committees, the CEO and other staff.

The Board Members, subject to their terms of reference, will decide how to spend the individual General Annual Grant (GAG) budget allocated by the EFA subject to:

- Any conditions in the DfE/TRUST Master Funding Agreement to protect its legal duties;
- The budget only being spent for the purposes of the TRUST;
- Specific grant funding only being spent to meet the conditions appertaining to that grant.

The Trust has defined the responsibilities of each person involved in the administration of the Academy's finances via the Scheme of Delegation and Roles and Responsibilities documents; in order to avoid the duplication or omission of functions and provide a framework of accountability for Directors and staff (**See Appendix 1**)

#### ***3.1 Reporting Structure:***

The Trust Business Operations Director shall ensure that monthly management accounts are prepared and made available to the full Board of Directors not less than three times per year. The production of the monthly management accounts shall be the responsibility of the Trust Business Operations Director. In addition to the management accounts, Directors will be provided with a Cash flow Forecast report.

#### ***3.2 Board of Members***

The Trust Board of Members are responsible for holding the Board of Directors to account. As part of their remit, they are responsible for

- Appointing the Auditors
- Approving the audited Year End accounts

#### ***3.3 Board of Directors***

The Board of Directors has overall responsibility for the administration of the Trust's finances. The main financial responsibilities of the Directors are prescribed in the Funding Agreements between the Academies and the DfE.

The main responsibilities include:

- Ensure the grant from the DfE and other Restricted funding is used for the purposes intended
- Approval of the annual budget and any material changes
- Ensure a Scheme of Delegation is in place

- Ensure assets are managed
- Ensure accurate accounting records are maintained
- Ensure the budget monitoring statements are a true and accurate record of income and expenditure
- Approval of the Annual Statutory Accounts
- Monitoring the effectiveness of financial and other control systems
- Monitoring the effectiveness of the Risk Management Process
- Monitoring the internal and external audit process

### ***3.4 Chief Executive Office and Accounting Officer (CEO)***

The CEO has overall effective responsibility for the Trust. The CEO is responsible for ensuring that:

- The roles of each member of staff are clearly defined and the duties of staff concerned with financial transactions and administrative processes will, as far as is practicable, be distributed to ensure that key tasks are assigned to separate members of staff and that appropriate systems of internal check exist.
- DfE/TSSMAT Master Funding Agreement, Financial Regulations and Contract Standing Orders are adhered to.
- The Board of Directors is provided with financial advice;
- Systems are in place to ensure that robust financial control is maintained at all times including procedures in the absence of key staff.
- Appropriate documentation and records of transactions are maintained to specified standards.

The CEO's responsibilities include:

- Ensuring regularity and propriety
- Prudent and economic administration
- Avoidance of waste and extravagance
- Efficient and effective use of available resources; and
- The day to day organisation, staffing and management of the MAT

The CEO will also be authorised to communicate with the Trust's bank and will be a cheque / BACS signatory.

### ***3.5 Separation of Duties***

In order to reduce the risk of error or intentional manipulation, the Board of Directors and the CEO will ensure the separation of those responsibilities or duties which would, if combined, enable one individual to record and process a complete transaction.

Wherever possible the following duties will be separated:-

1. authorisation – of a transaction such as a purchase order or payment;

2. execution – the placing of an order, receiving of goods and services;
3. custody – the holding of goods and services;
4. recording – the completion of accounting records.

<b>SEPARATION OF DUTIES MATRIX</b>	
<b>TASK</b>	<b>RESPONSIBLE OFFICER</b>
Orders raised	Budget holder
Orders processed	Administrator
Orders authorised	CEO
Goods and services checked in	Administrative Assistant
Payments processed or Returns made	Business Operations Director
Payments authorised	CEO

### ***3.6 Trust Business Operations Director***

The Trust Business Operations Director works in close collaboration with the CEO through whom he or she is responsible to the Board of Directors. The Trust’s Business Operations Director responsibilities include:

- The day to day management of financial issues including the establishment and operation of suitable accounting systems
- The management of the MAT’s financial position at both strategic and operational levels
- 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 academy
- Processing the day to day financial transactions
- Ensuring the processes are carried out in line with Trust policies / procedures i.e. debt recovery
- Preparing the Budget / conducting budget monitoring
- Completing DfE returns such as the Budget, Accounting annual return, Land and Buildings collection return as required
- Assisting with the year end audit process

The Business Operations Director will also be authorised to communicate with the Trust’s bank and will be a cheque / BACS signatory.

### **3.7 Deputy Headteacher**

The Deputy Headteacher will assume the financial responsibilities if the CEO is absent. The Deputy Head teacher shall also be a bank / cheque signatory.

### **3.8 Office Staff**

The Office Staff will (Dependent upon their role)

- Carry out the purchase order / goods receipt process in line with the MAT's policies / procedures
- Deal with incoming payments as per the MAT's policies / procedures
- Manage the office Petty Cash as per the MAT's policies / procedures

### **3.9 Business Card Holders**

Staff provided with a Trust business card shall ensure that the card is used only for authorised purchases and within the limits as per the MAT's Scheme of Delegation. Staff should have specific regard to the terms under which the business card is provided.

### **3.10 Other Staff**

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

### **3.11 Register of Business Interests**

It is vital that Directors and staff act, and are seen to act, impartially. All Members, Directors and staff are therefore required to complete a declaration of business interests. Declarations should include all business and pecuniary interests such as directorships, shareholdings, and other appointments of influence within a business or organisation. They should also include interests of related persons such as a parent, spouse, child, cohabitee or business partner where that person could exert influence over a Member, Director or member of staff. The existence of a register of business interests does not of course detract from the duties of the Directors and staff to declare interests whenever they are relevant to matters being discussed by the Directors or a Committee. Where an interest has been declared, Directors and staff should not attend that part of the meeting. It is the role of the Clerk to Directors to ensure the Register of Business interests is up to date.

## **4. BUDGET MANAGEMENT PROCEDURES**

### **4.1 Financial Planning Process**

The CEO and Business Operations Director will prepare both medium and short-term financial plans. These plans are prepared to inform the Trust's strategic development planning processes for the next 3-5 years. The Trust's Strategic Plan identifies the development plan priorities over the medium term and the expected level of resources available.

The Trust's Annual Improvement Plan provides the framework for the annual budget. The annual budget is a detailed statement of the expected resources available to the Trust and the planned use of those resources during the coming year.

#### **4.2 Reserves**

The Directors need to consider the level of reserves the Trust should hold to assist in strategic planning and ensure the stability of the Trust's operations. This includes its ability to adjust quickly to financial circumstances such as a large unplanned expenditure, cyclical maintenance and working capital requirements. Where reserves are held, it is a requirement that Directors state their reserves policy in their annual report.

Any unspent amounts will show on a separate line of the budget and will be reported to the Board of Directors.

#### **4.3 Annual Budget**

The CEO and Business Operations Director are responsible for preparing and obtaining approval for the annual budget from the Board of Directors each year. The approved budget must be submitted to the DfE by July 31<sup>st</sup> each year. The Business Operations Director is responsible for establishing a timetable which allows sufficient time for the approval process and ensures the submission date published by the DfE is met.

The annual budget will reflect the best estimate of the resources available to the Trust for the forthcoming year and will detail how those resources will be utilised establishing clear links to support the objectives identified in the School Improvement Plan.

The budget planning process will incorporate the following elements:

Forecast of future pupil numbers to estimate the amount of DfE grant receivable

Review of past performance against budgets

Identification of potential efficiency and budget containment actions

Annual review of expenditure headings to reflect known changes and expected variations in costs e.g. pay increases, inflation or other anticipated changes.

The draft budget will be presented to the Board of Directors and an explanation of the content provided by the CEO and Business Operations Director. Once the budget is agreed, this should be communicated to all responsible budget holders to ensure they are aware of the overall budgetary constraints.

The budget should be seen as a working document which may need revising throughout the year as circumstances change. Any revision should be reported by the Business Operations Director to the Board of Directors. Any substantial changes must be approved in accordance with the Scheme of Delegates.

#### **4.4 Budget Management**

The Business Operations Director will provide the Board of Directors with monthly budget monitoring reports providing details on current spend against budget and forecast outturn expenditure. Recommendations will be suggested regarding appropriate action to be taken

to correct any significant over or under spending and plans formulated by the CEO and Business Operations Director for consideration at the Directors' meetings.

The CEO may delegate elements of the budget to staff where this is appropriate. Those budget holders must operate within the same objectives and controls as those agreed for the Trust as a whole. Delegated budget holder will be provided with sufficient information to enable them to perform adequate monitoring and control. Such budget holders are accountable to the CEO.

Any potential overspend against the budget must in the first instance be discussed with the Business Operations Director. Payments will not be permitted to be made against an overspent budget without CEO approval.

Board Members and the CEO will periodically review the provision of financial information to ensure that what is provided remains appropriate, particularly in terms of its timing, level of detail and narrative information.

## **5. Accounting Systems**

### ***5.1 Financial Accounting System***

The Trust uses the PS Financials Accounting System (PSF) and all financial transactions must be recorded using this system. Access rights within PSF are defined for each user with a unique ID and password.

- All financial transaction relating to the Trust's budget must be recorded in PSF. There must be a clear audit trail for all financial transactions from the original documentation to accounting records. Finance records must be stored for 6 years (plus the current year) in accordance with the Companies Act.
- Only authorised staff will be permitted access to the accounting records, which should be securely retained when not in use.
- Authorisation and supervisory controls should be adequate to ensure transaction are properly recorded or that errors are identified
- All records should be protected against unauthorised modifications, destruction, disclosure or loss whether by accident or intention.
- The finance system must be protected by robust back-up procedures.

### ***5.2 Transaction Processing***

- All journal transfers and transactions in the nominal ledger will be processed by the Business Operations Director or the external accountant.
- Orders will be generated by the school office staff and forwarded via PSF to the CEO for approval
- The electronic Goods Receipting process will be carried out by the office staff.
- Following approval by the CEO, invoices will be processed ready for payment by the Business Operations Director.
- The Business Operations Director is responsible for:
  - Fixed Asset transactions
  - Cash book entries

- Sales Ledger transactions
- Purchase ledger transactions
- BACS payments raised – released by CEO
- Manual payments (cheques) raised – approved by both CEO and Business Operations Director
- Monthly reconciliations in respect of the sales ledger, purchase ledger, payroll, nominal ledgers and cash book.

### **5.3 Payroll**

The main elements of the payroll system are:

- Staff appointments
- Payroll and administration
- Payments and monitoring

#### **5.3.1 Staff appointments**

The Board of Directors approves a staffing structure for the Trust and forms part of the Pay Policy. Material changes to the staffing structure of the Academy may only be approved by the full Board of Directors who must ensure that adequate budgetary provision exists for any established changes and after the required period of consultation with unions and staff.

The CEO has the authority to appoint staff within the authorised staffing structure. The Trust Administrator will maintain personnel files for all members of staff, which include contracts of employment.

#### **5.3.2 Payroll Administration**

The Trust's payroll is outsourced to Stoke City Council Payroll Services.

All payroll transactions relating to Trust staff, permanent or casual, will be processed through the payroll system. Payments for employment will not be made to staff through any other mechanism.

All new appointments, leavers, changes to contracts or personal details are notified to Stoke payroll via the MyView system. Forms are completed by the Trust Administrator, checked by the Business Operations Director and signed by the CEO. In the case of changes to the CEO's salary, forms should be signed by the Chair of Directors as per the Scheme of Delegation.

Copies should be retained in the employee's personnel file. All personnel files are stored in a locked cabinet in the CEO's office. Only the CEO, Business Operations Director and the Trust Administrator will have access to staff files, but individuals can request to see their own files in line with data protection policies.

Stoke payroll are responsible for keeping the staff personnel database up to date via the MyView system.

Absence records are maintained at each school by the office staff. Absence reports are submitted to the Business Operations Director at the end of each month for submission onto the MyView system.

Staff claims for overtime and mileage are submitted for approval to the CEO and then input onto MyView by the Business Operations Director.

The monthly pre and post payroll reports are checked by both the CEO and the Business Operations Director prior to payment.

### *5.3.3 Payments and monitoring*

All salary payments are made by BACS on the last Wednesday of each month (except at Christmas when the pay date is earlier). Stoke submits payroll reports to the Business Operations Director via secure email prior to salary payments being dispatched detailing costs and individuals' payment details.

The Business Operations Director will undertake a sensibility check each month to ensure the data does not contain major errors prior to salaries being paid. A check will also be made in relation to:

- Deductions i.e. childcare, student loans, union fees
- Additional / casual hours
- Travel claims
- Maternity / paternity pay
- Regular additional payments e.g. first aid allowance, TLRs
- Comparison of individual pay to previous month reports

The CEO will check the salary of the Business Operations Director each month.

The payroll system automatically calculates the deductions due from salaries to comply with current legislation. Stoke are authorised to make BACS payments from the Trust's bank account by direct payment for the amounts of the deductions to the following agencies: Local Government Pension Scheme, Teachers' Pensions, Unions etc. by the 7<sup>th</sup> of the month following the pay run and payments to HMRC by the 19<sup>th</sup> of the month following the pay run.

The Business Operations Director or the external accountant will upload the payroll data into PSF via journal transfer once the reports are received from Stoke.

## **6. VALUE FOR MONEY, PURCHASING AND PAYMENTS**

The Board of Directors recognises the principles of Value for Money and aims to achieve best value for money from all its purchases.

The CEO is responsible for ensuring procedures are in place for testing the market, placing of orders and paying for goods and services in accordance with DfE/Master Funding Agreement, Financial Regulations and Contract Standing Orders.

Competitive quotations should be obtained where appropriate, following guidance shown in table below, before an official / commitment order can be issued.

	<b>Value of Order</b>	<b>Authority to proceed</b>
Comparison of Supplier catalogues, verbal enquiry or written confirmation.	Below £1000	CEO or authorised officer according to Limits of Delegation given in Section 3.1
At least two quotations	£1000- £2500	CEO
At least three written quotations to be obtained.	£2500 - £10000	CEO

For orders over £10000 the Trust's **Tendering & Procurement Policy** will be applied.

The CEO will maintain a register of all other Contracts and Operating Leases entered into by the Trust. Hire Purchase Agreements should not be entered into under any circumstances.

The CEO has delegated authority to accept the lowest quotation for all expenditure according to Limits of Delegation given in Appendix 1. In instances where the lowest quotation is not accepted this should be reported to the Board of Directors, and the reasons for the decision recorded in the minutes of the meeting. For quotations above to be agreed the approval of the Board of Directors must be sought.

Quotations or tenders need not be sought because of an unforeseeable emergency involving immediate risks to persons, property or serious disruption to the TRUST or significant financial loss.

The CEO may approve an exemption in these circumstances but must prepare a report for the next Board Members' meeting to support the action taken.

The Pecuniary Interest Register should be formally referred to prior to the acceptance of quotations or the awarding of contracts. It will be minuted in the Board Members' minutes that this procedure has been followed.

### **6.1 Orders for Goods and Services**

Budget holders should raise an order for goods or services using an electronic requisition form via their school office. Where the value of an order is over £1000 and up to £2500, the requisition must be accompanied by evidence of two oral quotations. The process for raising requisitions in excess of £2500 can be found in the Trust's Procurement and Tendering Policy.

The School office staff will check, code and create a purchase order on PSF and forward to the CEO or appropriate budget holder for approval.

IF the supplier has not been used by the Trust before, the Business Operations Director will complete a new supplier request form and pass to the CEO for approval.

Once approved, official orders will be emailed to the supplier. Telephone / direct verbal ordering will only be permitted where raising an official order is not practicable and with prior approval from the CEO. In such cases, a written confirmation order will be raised as soon as possible.

The order is retained within PSF rather than a paper copy being stored on file.

### **6.2 Delivery of goods and services**

On receipt of goods, the office staff will check the goods received match the delivery note and sign the note to confirm this.

The office staff will check the delivery note against the original order in PSF to ensure the correct goods have been dispatched and then carry out the goods receipting process in PSF.

The delivery note will be retained to be attached to the invoice on its receipt.

The office staff will raise any discrepancies with the Business Operations Director for investigation.

The office staff will despatch goods to the requestor.

The requester must ensure that the goods received are of acceptable quality. Any goods that are rejected must be notified to the Business Operations Director and the school office staff within 2 days of delivery.

### **6.3 Goods returned**

The Trust will maintain clear policies on returned goods. A goods returned log must be maintained in order to document the return to the supplier. This includes a description of the goods, the reason for the return and the date returned via post, courier or otherwise. This procedure ensures that replacements or credits are received for all returns

### **6.4 Payment of Accounts**

#### **6.4.1 Processing of invoices**

Payment for supplies and services will be paid upon receipt of an invoice when:

- It is confirmed that the goods or services have been received and are the quality expected
- The invoice is arithmetically correct
- Prices are correct
- VAT has been treated correctly

At least two people must be involved in the process of agreeing invoices and authorising payment. The Business Operations Director will check the invoice and once approved by the CEO, will enter it onto PSF as soon as possible. The Business Operations Director will

produce a BACS report and present to the CEO for approval. The Business Operations Director will then download the BACS payroll onto Lloyds online and the CEO will release the BACS payment (random checks will be carried out).

The payment of goods and services via cheque or business card is to be avoided where possible.

#### *6.4.2 Payments to individuals*

Payments can be made to individuals on production of an invoice. An enquiry must be carried out on the individual using the HMRC, Employment Status Indicator Tool.

<https://esi2calculator.hmrc.gov.uk/esi> . The generated reference number must be kept with the invoice. If the enquiry shows that the payment cannot be made to the individual via the invoice produced, the individual should be paid through the Trust's payroll provider.

#### *6.4.3 Other purchases*

The Trust recognises that there are instances when it is not possible to process orders for goods and services in the normal way and items, such as parking for the Trust's minibuses, may have to be purchased and claimed back. The Trust operates a staff expenses form which should be completed by the individual and accompanied by the appropriate VAT receipt for approval by the CEO. The Business Operations Director will process these payments within the normal pay run for final release by the CEO.

### **6.5 Credit Card**

The Credit Card is issued for the express function of obtaining goods and services for the Trust or for payments relating to business expenses incurred in the course of the Cardholders' official duties.

The Board of Directors will approve any applications for Credit Cards including Cardholders and associated limits. See Appendix B for Cardholders and agreed Transaction limits.

A Requisition Form signed by the appropriate budget holder and authorised in accordance with the Scheme of Delegation should be completed in advance for all internet purchasing transactions, with appropriate research into Value for Money procurement. Care should be taken to ascertain whether a VAT receipt will be produced, as otherwise VAT cannot be reclaimed (and the goods will be charged to the budget at the VAT inclusive price).

Business card holders will:

- Ensure cards are held securely
- Ensure PIN numbers are not disclosed to any other persons
- Report the loss of card or PIN details to the Business Operations Director and Lloyds immediately
- Only use the card assigned to them for the purpose specified within the scheme of delegation.
- Ensure that a VAT invoice / receipt (where VAT is applicable) is obtained for ALL purchases

The Business Operations Director will:

- Match all invoices / receipts to the monthly purchasing card statement
- Contact the cardholder immediately if it is found that there are missing invoices / receipts
- Check that the purchases made are in line with the Scheme of Delegation for the individual users
- Report any potential breaches in the use of the card (i.e. unauthorised purchases, missing receipts etc.) to the CEO
- Prepare and process the monthly purchasing card journal.
- Ensure that the Purchasing Card of employees leaving the Trust are returned.
- In recognising the increased risks associated with Purchasing Card use, will have available at all times, without prior notice, the purchasing card records for scrutiny by any member of the Board of Directors
- Report any instances of unauthorised card use to the Board of Directors
- Report the loss of card or PIN details to the Bank immediately.

### ***6.6 Goods and Services for Private Use***

The Trust will avoid practices such as obtaining goods and services that may include an element of private use for Board Members or staff. Directors and staff will also avoid accepting excessive hospitality, entertainment, or other services from existing or prospective suppliers.

## **7. INCOME AND SUNDRY DEBTORS**

### ***7.1 General Income Matters***

The main source of income for the Trust are the grants from the EFSA and the Local Authority. The receipt of these funds are monitored by the Business Operations Director who is responsible for ensuring all grants due to the Trust are collected.

Where invoices are to be raised, the Trust will do so promptly using authorised Trust invoices. The invoice will clearly detail the service or goods provided, the settlement date and the payment required.

Cash and cheques collected will be kept secure until the time of banking. Banking will take place monthly or more frequently if the cash sum held exceed £500.

Sums received will be reconciled to the sums banked and to the accounting system to ensure that sums banked to the Trust bank account are correctly attributed.

The Trust collects income from parents or the public for:

- School meals
- Trips and Residential visits
- Uniform
- Nursery Wraparound care
- Before and After School clubs

- Lettings
- Reimbursements from various parties for activities in which the Trust plays an active role.

The Business Operations Director is responsible for the day to day administration and collection of income.

#### *7.1.1 Trips / Activities*

A lead teacher must be appointed for each trip. For every trip or activity a Trip Analysis Form must be completed. The Business Operations Director is responsible for budgeting for the trip. The office staff are responsible for collecting the sums due and liaising with the lead teacher over amounts outstanding. There must be evidence that there is no intention to make a profit from any trip or activity.

All payments must be made online via Parentpay. Parents who are unable to use Parentpay are requested to pay in cash via Paypoint. If this is not possible, the office staff are responsible for ensuring that any cash and cheque payments are receipted to the parent and recorded on Parentpay. Payments are automatically allocated to the child's online account creating an electronic receipt.

#### *7.1.2 Lettings*

The policy for lettings of premises is contained in a separate document. The Policy and charges will be reviewed annually and approved by the Board of Directors.

The Business Operations Director is responsible for maintaining records of bookings and for identifying the sums due from each organisation. Payments must be made in advance for these facilities whenever possible.

The Business Operations Director will be responsible for chasing outstanding debts, no debts will be written off without the express approval of the Board of Directors (DfE prior approval is also required of the debt to be written off is above the value detailed in the funding agreement.)

### **7.2 Debt monitoring and Debt recovery**

All debts will be monitored at regular monthly intervals, via an "Aged Debtor report" in the accounting system or an appropriate manual record. As a minimum requirement the report will contain the following information:

- Debtors name/description
- Amount of Debt
- Period of debt outstanding

Procedures for debt recovery are outlined in the Debt Recovery Policy.

Debts under £200 may be written off by the CEO.

Debts over £200 may be written off only with the approval of the Board of Directors.

Debts above the level as detailed in the funding agreement must be submitted to the DfE for approval to be written off.

### **7.3 Charging and Remission of Fees**

The Board of Directors will review the charging and remission policies annually on the basis of recommendations put forward by the CEO. The policies adopted will be based on the guidance issued by the DfE and the Trust.

### **7.4 EFA Borrowing Requirements**

In line with funding agreements, Academy Trusts must seek the EFA's prior approval for borrowing (including finance leases and overdraft facilities) from any source, where such borrowing is to be repaid from grant monies or secured on assets funded by grant monies, and regardless of the interest rate chargeable. Credit cards must only be used for business (not personal) expenditure, and balances cleared before interest accrues. The Secretary of State's general position is that Academy Trusts will only be granted permission for borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes in order to meet broader policy objectives.

### **7.5 Novel and/or contentious transactions**

Novel and/or contentious transactions must always be referred to the EFA for explicit prior authorisation in line with the Academies Financial Handbook.

Novel payments or other transactions are those of which the Academy Trust has no experience, or are outside the range of normal business activity for the Trust. Contentious transactions are those which might give rise to criticism of the Trust by Parliament, and/or the public, and/or the media.

#### **7.5.1 Staff Severance Payments**

Directors must consider the following issues before making a binding commitment:

- Directors must reasonably consider the proposed payment to be in the interests of the Trust.
- Is such a payment justified, based on a legal assessment of the chances of the Trust successfully defending the case at employment tribunal. If there is a significant prospect of losing the case then a settlement may be justified, especially if the costs incurred in maintaining a defence are likely to be high. Where a legal assessment suggests that the Trust is likely to be successful, then a settlement should not be offered.
- If the settlement is justified, the Trust would then need to consider the level of settlement. This must be less than the legal assessment of what the relevant body (e.g. an employment tribunal) is likely to award in the circumstances.
- Staff severance payments should not be made where they could be seen as a reward for failure, such as gross misconduct or poor performance. The only acceptable rationale in the case of gross misconduct would be where legal advice is that the claimant is likely to be successful in an employment tribunal claim because of employment law procedural errors. In the case of poor performance, an acceptable comparison would be the time and cost of taking someone through performance management and capability procedures.
- Academy Trusts have delegated authority to approve individual staff severance payments

provided any non-statutory/non-contractual element is under £50,000. Where the Trust is considering a non-statutory/non-contractual payment of £50,000 or more the EFA's prior approval must be obtained before the Trust makes any binding settlement offer to staff.

#### *7.5.2 Compensation Payments*

The Trust must base its decision on a careful appraisal of the facts, including legal advice where relevant, and ensure that value for money will be achieved.

- Academy Trusts have delegated authority to approve individual compensation payments provided any non-statutory/non-contractual element is under £50,000. Where the Trust is considering a non-statutory/non-contractual payment of £50,000 or more the EFA's prior approval must be obtained.
- Trusts should routinely consider whether particular cases reveal concerns about the effectiveness of internal control systems, and take any necessary steps to put failings right.

#### *7.5.3 Ex Gratia Payments*

Ex gratia payments can include payments made to meet hardship caused by official failure or delay, and payments to avoid legal action on the grounds of official inadequacy.

Ex gratia payments must always be referred to the EFA for prior authorisation. HM Treasury approval may also be needed dependent on the nature of the transaction.

### **8. Cash Management**

The CEO is responsible for ensuring arrangements operated are in accordance with procedures specified by the Trust Financial Regulations.

#### **8.1 Bank**

The Trust has appointed Lloyds as their bankers for all funds. The opening of all bank accounts must be authorised by the Board of Directors who must set out in the Scheme of Delegation the arrangements covering the operation of accounts. This should include cheque signing arrangements and BACS operations.

##### *8.1.1 Deposits*

The Trust should ensure that particulars of any deposit are entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include: -

- the amount of the deposit and date of receipt; and
- a reference, such as the number(s) of the receipt(s) or the name of the debtor.
- The PSF journal reference number

##### *8.1.2 Payments and Withdrawals*

There should be robust controls over all ways in which funds may be drawn from accounts, including such operations as standing orders, direct debit mandates, BACS payments and salary payments.

The Trust should implement the following controls, ensuring that: -

- a minimum of **2** people are authorised to sign cheques (as listed in **Appendix B**). All must be kept up-to-date with current procedures;
- mandates are held by the Trust's bankers (Lloyds Banking Plc) detailing the arrangements above together with clear instructions that the Trust's bank accounts must not become overdrawn.

The Controls listed above exist over electronic withdrawals and electronic transfer of funds, including BACS and direct banking links such as telephone banking or computer banking e.g. for payroll purposes or the investment of surplus funds or other transfers of funds between accounts.

### *8.1.3 Reconciliation of Bank Accounts*

Statements must be reviewed, thoroughly checked and formally reconciled to the accounting system at least monthly. The reconciliation report must be retained on file with each Bank Statement, and printouts of outstanding debits and credits should be attached to the reconciliations.

The Business Operations Director will check statements to ensure:

- All expenditure items – BACS payments, Cheques, Petty Cash withdrawals, Purchasing Card transactions and Online Banking transactions – have been listed;
- There are no incorrect entries, or those that do not apply to this account;
- The entry amounts match the invoices, vouchers or other transactions;
- That all income and banking has been listed and agrees with PSF

Un-presented cheques over 6 months old should be written off.

The reconciliation and any discrepancies are reported by the Business Operations Director for investigation to the CEO.

The CEO will check the bank reconciliation monthly and sign and date.

### *8.2 Petty Cash Accounts*

Deposits into petty cash can be made by cashing a cheque on the Trust's main bank account or by paying cash taken for school meals, trips, etc into the petty cash tin. The income must be recorded on the monthly petty cash analysis form and include details of the source of the income.

The petty cash officer will ensure that:

- The petty cash is held securely at all times
- Ensure that the person being reimbursed provides a valid vat invoice (where vat is applicable) and signs the receipt to confirm receipt of the reimbursement.
- Ensure that reimbursements are approved by the CEO prior to reimbursement (this may be verbal approval)
- In exceptional circumstances, make cash available to staff in advance of a receipt being available e.g. for parking fees. This amount should be limited to £10.
- Make the petty cash tin available for checking at any time.

The Business Operations Director will:

- Record all petty cash transactions in PSF each month upon receipt of the monthly petty cash form
- Check all receipts / cash transfer forms for accuracy
- Reconcile the petty cash account via PSF each month
- Check the tin balance and PSF tin balance match on a termly basis.

### **8.3 Parentpay Accounts**

The Trust uses the Parentpay system to collect payments from parents for school meals, before and after school care, trips etc.

The Business Operations Director will ensure that:

- The weekly Parentpay Settlement Reports are extracted from Parentpay and used to generate a journal to bring the income into PSF
- All income paid and charges applied in advance are accounted for in the month end accruals and prepayments schedule where it is of considered material.
- All credit balances held on Parentpay accounts at the year end will be dealt with in the following format:
  - Credit balances will be transferred between the assigned payment items of the pupils to reduce any debit balances
  - If there are no debit balances to offset the cred and the pupil is remaining in the school, this credit balance will remain on the account and recognised as a pre-payment in the year end accruals and prepayments schedule.
  - If there are no debit balances to offset the cred and the pupil is leaving but has a sibling who will remain in school, the credit balance will be transferred to their account.
  - If there are no debit balances to offset the cred and the pupil is leaving and has no remaining siblings a refund will be made via cheque by 31<sup>st</sup> August
  - If a parent requests that the remaining credit is donated to the Trust, an internal adjustment will be made in Parentpay to clear the credit and a journal process in PSF to move the income from the original nominal code to the Voluntary Donations nominal.
  - Interest earned on any credit balances will be used for the benefit of supporting pupil trips and activities. A separate analysis of interest earned from credit balances will not be carried out as this is not considered material.

### **8.4 Investments Strategy**

Investments must be made only in accordance with written procedures approved by the Board of Directors under a separate Investment Policy.

### **8.5 VAT**

Under DfE regulations for Academies, VAT can be recovered on all expenditure, revenue and capital where VAT has been charged by the provider of the goods or service (known as VAT 126). The Trust has registered for VAT 126 as this is the most appropriate at this time. In the future the Trust may choose to register for VAT in relation to its non-business activities i.e.

delivery of training, consultancy etc. This is kept under going review with the Trust's external auditors and accountants.

#### *8.5.1 VAT 126 claims*

. The Business Operations Director and the external accountant shall prepare a monthly claim following a full reconciliation of the accounts.

## **9. SECURITY OF ASSETS**

### ***9.1 Letting of Trust Premises***

The letting of Trust Premises and Grounds should always be subject to a formal contract, even when the Hirer or User is connected to the Trust and is subject to the **MAT's letting policy**.

### ***9.2 Insurance***

The CEO will review the insurance needs of the Trust annually and liaise with the SLT where appropriate to ensure that specific arrangements remain appropriate. Following the approval of the Board of Directors, the CEO will ensure the agreed arrangements are in place.

The Board of Directors will periodically consider whether to insure risks that are not covered by an existing policy arranged within the Trust or other voluntary body. The cost of premiums for any additional cover should be met from the Trust's delegated budget.

The CEO will be responsible for ensuring that Board Members are made aware of all new risks, and all incidents which may give rise to an insurance claim (e.g. accident, theft etc.) should be reported immediately to the insurers and within the Trust.

### ***9.3 Computer Systems***

The Board Members recognise the importance of protecting computerised financial management systems and the data held therein. The CEO will ensure that the Trust is registered in accordance with the Data Protection Act 1998 and GDPR.

The CEO will ensure that effective backup procedures are in place and that all back-up disks or tapes are stored securely.

Access to Trust management computer systems will be limited to authorised staff. These staff will use passwords which should not be disclosed and should be changed regularly.

Only authorised software will be used to prevent the import of computer viruses. Staff will only have access to those modules appropriate to their duties.

The Board of Directors will ensure that a robust system is in place for the secure and encrypted transfer of data by email to ensure the Trust is not open to any data protection breaches.

#### **9.4 Controlled Stationery**

The following are defined as Controlled Stationery and should be recorded, with serial numbers, on receipt, on opening and on completion. Books should not be split, and blank forms secured when not in use.

- Cheque books
- Paying-in Books

#### **9.5 Security of Stocks and Other Property**

The CEO is responsible for the care and custody of all assets within the Trust and will maintain proper security for all buildings, vehicles, plant, stocks, stores, furniture, equipment, keys and cash.

The CEO will ensure that a register of assets / inventory is maintained in accordance with the provisions of the DfE Academies Financial Handbook. Inventories will be checked at least annually and any discrepancy shall be investigated. The Board of Directors will be informed of surpluses and deficiencies revealed by an inventory check.

An inventory should: -

- form an important part of the Trust's procedures for ensuring that staff take responsibility for the safe custody of assets;
- enable Trust management to undertake independent checks on the safe custody of assets, as a deterrent against theft or misuse;
- help the Trust to manage the effective utilisation of its assets and to plan for their replacement;
- support insurance claims in the event of fire, theft or other losses.

It is good practice to ensure that items particularly at risk should be permanently and visibly marked as the Trust's property and there should be a regular, annual count by someone other than the person maintaining the inventory.

The Business Operations Director will advise the Trust on the Asset Management reporting required by the EFA, and the financial accounting of asset depreciation.

Safes and similar storage facilities will be kept locked and the keys removed to be held by the key holder who will be nominated by the CEO. Normally key holders will carry keys on their person and keys must not be left on the premises overnight.

The key inventory is the responsibility of the Trust Administrator to maintain and it should be kept up to date at all times. It is the responsibility of staff to report all lost and stolen keys to enable new security measures to be put in place and for the inventory to be updated.

#### **9.6 Loan of assets**

Items of Trust property should not be removed from Trust premises without the appropriate delegated authority. A record of any loan should be recorded in the appropriate book by the Trust and the record updated when the asset is returned.

During holiday periods, for security reasons, staff may take high value assets home. The position relating to insurance should be clarified and explained to the staff concerned before any assets are taken off the Trust premises. 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. This has implications both for tax purposes for the individual concerned and for the proper use of public funds. Loans should therefore be kept under review and advice as appropriate.

### ***9.7 Sale/disposal of assets***

Please see the Asset Disposal and Write Off Policy for more details.

### ***9.8 Capitalisation***

The Board aims to capitalise all assets with a purchase value greater than £1000. This information will then be recorded to monitor, and will include depreciation values to align with PSF records.

### ***9.9 Anti-Fraud and Anti-Corruption***

The Board of Directors and staff have a duty to report another member of staff, Local Advisory Member or Board Member whose conduct is reasonably believed to represent a failure to comply with the **Anti-Fraud Policy**. Allegations of suspected fraud should be brought to the attention of the CEO, unless this individual is involved in the irregularity in **which case the Chair of the Board should be informed**.

#### *9.9.1 – Fraud*

The Board of Directors and staff have a shared responsibility in respect of preventing and detecting fraud. This incorporates theft, larceny, embezzlement, fraudulent conversion, false pretences, forgery, corrupt practices and falsification of accounts.

#### *9.9.2 – Corruption*

Corrupt practices are defined as the offering, giving, soliciting or acceptance of an inducement or reward which may influence the actions taken by the TRUST, its staff or those in a position of governance.

## **10. GENERAL**

### ***10.1 Board Members' Expenses***

The policy relating to Governance Expenses will be reviewed at least every three years and, if payable, will be in accordance with the Trust scheme for Governance Expenses.

### ***10.2 Register of Business Interests***

The Board of Directors and Trust staff has a responsibility to avoid any conflict between their business and personal interests and affairs and interests of the Trust. A Register of Pecuniary Interest will be maintained for both Board Members and staff with an influence over spending decisions. The register should be made available for inspection by the Board Members, staff, and parents.

The register will include all business interests such as directorships, share-holdings and other appointments of influence within a business or other organisation, which may have dealings with the Trust. The disclosures should also include business interests of relatives and other individuals who may exert influence.

The Clerk to the Board, on behalf of the Board of Directors must maintain a register of pecuniary interest forms for each member of the Board of Directors and the CEO recording business interests. The register must be kept up to date with notification of changes and through a recommended annual review of entries. The Board of Directors will ensure that all members of staff are aware of the responsibilities for declaring any links or personal interests which they have with regard to contractors and suppliers. The CEO will maintain, in a suitable form, a record of the details of those members of staff who declare any links or personal interests which they have with contractors and suppliers.

### ***10.3 Gifts and Hospitality Register***

As a general rule staff must not accept from suppliers or contractors or potential suppliers and contractors or from any firm or organisation with whom the Trust has had, is having or may have any dealings of any kind:

- any gift (other than an inexpensive seasonal gift such as a calendar or diary for use in the office) and

where refusal would cause needless offence and the giver is not seeking a business decision but merely wishes to express thanks for service, advice, help or co-operation.

- any hospitality without the written authorisation of the CEO or Chair of Directors.

A register will be maintained by the CEO to record all particulars of gifts and hospitality.

Please see the Gift Policy for more information.

**APPENDIX A  
AUTHORISED SIGNATORIES LIST FOR THE SMALL SCHOOLS MULTI ACADEMY TRUST**

<b>Name</b>	<b>Position</b>

## APPENDIX B

### EFA ACADEMY REPORTING SCHEDULE

The following schedule is published in the EFA Academies Financial Handbook:

Budget forecast	The document by which an academy Trust notifies the EFA of its budget for the forthcoming academic year.
Annual accounts	A statutory requirement for all academy Trusts. Properly called financial statements. These need to be completed to a 31 August year-end, submitted to the EFA no later than 31 December, and published on the Trust's website by 31 May.
Accounts return	A return of key financial information in spread sheet format based on academy Trusts' annual accounts, to be used for consolidation of Trusts' accounts into the EFA's accounts and for the collection of benchmarking data. The EFA will collect these returns from academy Trusts in scope in a format, and by a date, to be notified
Financial Management and Governance Self-assessment (FMGS)	A checklist for completion and return to the EFA by a notified date, by new academy Trusts that are not yet preparing financial statements and not yet subject to a regularity audit. The return asks TRUSTs to self-assess their financial management arrangements in several specified areas.

## **APPENDIX C**

### **EMPLOYMENT STATUS - EMPLOYED OR SELF-EMPLOYED?**

The following guidance applies to payments to individuals or sole traders.

It does **not** apply:

- where payment is to organisations - limited companies, partnerships, charities, Trusts, clubs, public sector bodies etc - normal purchasing processes apply;
- where individuals are appointed as “office” holders under statutory requirements for example Trust Improvement Partners, National Challenge Advisors or similar roles. These individuals must be paid via payroll even if they have their own limited company;
- entertainers, musicians, actors – special rules apply; please check with the Trust Director of Business.

### **GUIDANCE FOR THOSE ENGAGING INDIVIDUALS**

#### **Why is employment status important?**

Whenever the Trust engages the services of an individual, HM Revenue and Customs (HMRC) requires that a decision is made regarding their 'employment status', i.e. whether the individual should be treated as self employed or as an employee. Naturally, this has implications for any payments the Trust makes. In particular, when it is determined that the individual is to be regarded as an employee, deduction of income tax and national insurance is made from payments through the payroll system. This is obviously the case for staff with a contract of employment, but it does also apply to other people who undertake work for the Trust without such a contract.

HMRC are very clear that an assumption of self-employment cannot be made, even where the individual has been treated as self-employed previously. The following quotes are taken from their web site:

"It is a general requirement that those wishing to take on workers consider the terms and conditions of a particular engagement to determine whether the worker is an employee or self-employed."

"Just because a worker is self-employed in one job, doesn't necessarily mean he or she will be self employed in another job."

Deciding whether an individual can be treated as self-employed or not is sometimes contentious, particularly with the individual concerned, who may regard a previous decision of self-employment as sufficient to support similar treatment on subsequent engagements. However, the following points are useful to bear in mind:

- It is the responsibility of the employer and not the individual to ensure that appropriate tax and National Insurance (NI) deductions are made.
- If an individual is treated as self-employed and HMRC discover, when auditing, that this is an error the Trust would become liable for the tax and NI that should have been deducted.

Dependent on the extent of any transgression, fines and interest could also be imposed. If a person is treated as self employed and the decision is later reversed, it is very difficult to

then recover the tax and NI that should have been deducted. However, if a person is treated as employed and this decision is reversed, it is relatively simple to refund the tax and NI.

### **What do I need to do?**

The following advice applies whenever you are considering engaging an individual, except:

- where the engagement will be through the normal recruitment process;
- where the individual is to be involved in work of a construction nature and has a valid Construction Industry Scheme (CIS) registration – normal purchasing procedures apply

In all other cases, these are the steps you should take:

Before you engage someone:

- Consider the usual standing orders and financial regulations.
- Make sure you have a defined contract or service level agreement prepared prior to the engagement that will govern the work that will be undertaken and include the requirements for Public Liability Insurance. This will help to make sure there is agreement on what is required, but it will also help to determine whether the work is to be treated as employment or not.

Once you have decided on your intention to engage an individual:

- Make sure you inform the individual you are engaging that you must complete the employment status process. You may wish to use the Employment Status Questionnaire (ESQ) which you will need their help to complete and both of you are required to sign it. This will provide you with most of the information you will need to use the HMRC on-line employment status indicator tool. They must also be told that completion of the questionnaire is no guarantee of self-employment status.

If the employment status has been determined as:

- **self employment** - you can follow your usual purchasing process. If applicable, future payments to this individual for the same kind of work would also be paid without deductions. If the engagement changes or becomes on-going it is likely that the status will change to that of employee.
- **employee** - you should go through the normal recruitment processes subject to the usual budget and establishment requirements. Payment will be made via payroll with the deduction of tax and NI.

### **What if the individual is unhappy with our decision?**

- It is important to note that this process has been developed in line with HMRC guidelines, and that a similar process is in place in all Trusts and local authorities (indeed all organizations should work on this basis). You must impress on the individual that it is not an optional activity.
- If the individual disagrees with the decision, ask them to write to a nominated person at the Trust giving their reasons for disagreeing, and ask them to include any supporting evidence that did not form part of the original questionnaire.

**Where can I find out more?**

HMRC guidance on employment status can be found at [www.hmrc.gov.uk/calcs/esi.htm](http://www.hmrc.gov.uk/calcs/esi.htm)