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# FINANCE POLICY

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**Recommended by:** CRSAAT CFO

**Recommendation Date:** January 2020

**Ratified by:** F&R Committee

**Signed:**



**Position on the Board:** Chair of F&R Committee

**Ratification Date** 22 January 2020

**Next Review:** January 2021

**Policy Tier (Central/Hub/School):** Central

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## Introduction

The purpose of this Policy is to set a framework for sound financial management and boundaries that conform to requirements of propriety and good financial management within which Trustees, Principals, Head Teachers, Governors and staff can operate. The Trust's (referred to as CRSAAT) financial arrangements comply with our funding agreements, current Academies Financial Handbook, Accounts Direction and other relevant guidance issued by the Department for Education (DFE) and Education Funding Agency (ESFA)

CRSAAT recognises that schools within the Trust may refer to detailed finance manuals that may contain local variations.

All staff involved with CRSAAT finances should read this policy and the relevant manuals.

**Note:** The term governing body is used to mean the full governing body of any school within the CRSAAT or its committees, where responsibility can be delegated to a committee. The term Principal is used to mean the Principal, Head Teacher or other member of the school's staff, where responsibility has been delegated to that member of staff in line with CRSAAT scheme of delegation. Reference to school means any school within CRSAAT.

## Associated Documents

- Academies Financial Handbook
- Academies Accounts Direction
- Trust Scheme of Delegation
- Procurement Policy
- Lettings Policy
- Data Protection Policy
- Charging and Remissions Policy
- Reserves Policy

## A GOVERNANCE AND ORGANISATION

The Academies Financial Handbook (AFH) sets out the duties and obligations of academy trusts that have a Funding Agreement (FA) with the Secretary of State for Education.

The AFH covers all the requirements under the financial accountability system for academy trusts.

The Education & Skills Funding Agency (ESFA) requires academies to take full control of their financial affairs.

As a Company, the Trust also complies with Company law and Charity guidelines where applicable.

The Trust must maintain accounting records and will publish the audited annual accounts on the Trust website to comply with the Statement of Recommended Practice (SORP) for Charities.

**The Trust Board**, as advised by the Finance and Resources Committee (F&R) and by the Audit & Risk Committee (A&R), is responsible for the overall financial management of the Trust's schools. These committees are skills based and seek to ensure appropriate skill levels within their membership.

The Trust Board has specific responsibility for:

- Ensuring that grants from the ESFA or other bodies are only used for the purposes intended
- Approving the annual report and accounts

**The Finance & Resources Committee** has a strategic role and has specific responsibility for:

- Setting financial priorities
- Oversight of sound financial management
- Ensuring the budget is managed effectively
- Reviewing monthly and annual accounts
- Maintaining liquidity and appropriate reserve levels

It is also responsible for ensuring the Trust meets all its statutory obligations and, through the Accounting Officer (AO) and Chief Finance Officer (CFO), complies with the ESFA's financial regulations. The AO will be empowered to delegate financial responsibilities to the CFO.

### Other Financial Governance & oversight

- **A1** The **Principals** are responsible on a day-to-day basis for the management of the respective school's finances within the approved budget in accordance with best value, and in line with the School Development Plan, where relevant. The Principal has no sole authority to exceed the approved budget and must operate within the financial limits of delegated authority. It is recognised that local variations to authority limits may apply. Principals have specific responsibility for
  - Approving staff appointments and changes within budget
  - Authorising expenditure within local limits
  - Monitoring spend
- **A2** The financial limits of delegated authority of **local governing bodies** (LAGB) are detailed in the scheme of delegation. Details of the constitution and current membership are available from the Governance Manager. LAGBs have responsibility for
  - Approval of the school's budget
- **A3** The F&R Committee has agreed the minimum frequency, level of detail and general format of the financial information to be provided to it, especially in relation to budget monitoring reports.

- **A4** Minutes are taken of all meetings and include all decisions and by whom action is to be taken.
- **A5** The Governance Manager maintains a register of pecuniary and business interests of Trustees, Governors, Principals and any other senior staff who may influence financial decisions. This is open to examination by Governors, staff and parents and is published on the schools' websites in accordance with ESFA guidance. "Declarations of interest" is a standing agenda item on all committee meetings.
- **A6** The **A&R committee** are responsible for
  - Receiving reports from external and internal auditors
  - Receiving and recommending annual accounts
  - Reviewing procurement arrangements
- **A7** The **CFO** is responsible for
  - Consolidated financial reporting (monthly and annual)
  - Advising committees, Trust Board and Principals on Finance strategy
  - Oversight of local financial arrangements
  - Preparation of monthly management accounts and forward forecasts
  - Preparation of annual budgets
  - Liaison with and reporting to ESFA
  - Financial compliance
  - Risk management and reporting
  - Appraisal and recommendation of significant procurement projects
- **A8** Other staff including Finance administrators, teaching staff and senior leaders either have financial responsibilities for processing or as budget holders and these are detailed in local finance manuals.
- **A9** All staff are responsible for the security of CRSAAT property and for ensuring value for money in the use of resources.

## **B FINANCIAL PLANNING**

The Accounting Officer, Principals and LAGBs are provided with financial information through management accounts and forward forecasts in order to gain a clear understanding of how resources are used to deliver educational outcomes. The key reference documents are the School Development plans, the Budget and the 3-year Forecast.

- **B1** Schools in the Trust have a School Improvement Plan (SIP), which includes a statement of its educational goals to guide the planning process.
- **B2** The SIP covers in outline the school's educational priorities and includes material and relevant budget implications for the next three years, showing how the use of resources is linked to the achievement of the school's goals.
- **B3** The SIP states the school's educational priorities in sufficient detail to provide the basis for constructing budget plans for the next financial year.
- **B4** the relevant committee carefully appraises any new initiatives including proposed staffing costings in relation to all likely costs and benefits and their financial sustainability approval. It is recognised that the Principals can use "powers of Urgency" to gain appropriate Governor or Trust authority where required, and urgent requirements will be fully costed by the CFO.

- **B8** The CFO presents a draft budget as recommended by LAGB in line with the SDP to the F&R Committee for approval in July. The budget is set at individual school level in consultation between the CFO, Principal and Chair and Governor representative and then at consolidated level.
- **B9** Any budget surpluses will be used in accordance with the Trust's policy on Reserves.
- **B10** When the budget has been discussed and agreed by the F&R Committee, it is presented to the Trust Board for consideration and approval at the next available meeting.

## **C BUDGET MONITORING AND MANAGEMENT ACCOUNTING**

The F&R Committee monitors performance against agreed budgets at each meeting and maintains financial control by reviewing the current position and recommending remedial action where necessary.

- **C1** Finance staff produce regular budget monitoring reports prepared on an accruals basis as directed by the AFH. These reports include outturn forecasts and variance analysis against the approved budget. . Key balance sheet and cash flow information is also provided.
- **C2** Where budget elements have been devolved, departmental budget holders receive and review monitoring reports monthly (or on request) comparing the amount spent or committed to date against their budgets. The CFO monitors these reports periodically and takes action where necessary.
- **C3** Capital planning and associated income & expenditure is considered at each F&R Committee meeting.
- **C4** The 3 year plan is updated by the CFO to reflect significant changes to forecasts for each school and to reflect the latest management accounts

## **D PURCHASING**

CRSAAT aims to achieve the best value for money (VFM) from all purchases and contract arrangements. The principles of probity and accountability are applied and it is recognised that CRSAAT acts as custodian for public funds.

- **D1** The VFM process always considers price, quality and fitness for purpose when purchasing goods or services and seeks to use CRSAAT buying power wherever possible.
- **D2** Prior approval is obtained for all planned expenditure above the limits predetermined in the scheme of delegation.
- **D3** Competitive quotations/tenders are to be obtained wherever possible in accordance with the procurement policy and recorded in a quotations register where necessary. Written quotations (emails acceptable) should be obtained for all expenditure above the limits predetermined by the procurement policy, unless it is impracticable to do so. In such circumstances, the reasons for not doing so should be recorded on the requisition form.
- **D4** Where a quotation other than the lowest is accepted, the reasons for this decision should be recorded on the requisition form.
- **D5** All purchases estimated to exceed an amount predetermined by the procurement policy must be put out to tender, using a form common to all tenderers based on a detailed description or specification of the goods or services.

- **D6** Contract specifications (e.g. for cleaning, catering and grounds maintenance) define the service to be provided in terms of its nature, quality standards, information and monitoring requirements and contract review procedures.
- **D7** Schools should not enter into any financial agreement with capital implications without **completion of the Capital Expenditure Proposal and approval thereof. Any financial agreements require agreement of the Central Executive who will** consider ESFA guidance as appropriate. If a lease arrangement is entered into, this should represent good value for money and be an 'operating' lease, not a financial lease.
- **D8** Official, pre-numbered system generated orders are used where it is practical to do so. Verbal orders are kept to a minimum, but if required for reasons of urgency or emergency, evidence of the requirement (usually in the form of an email request) should be retained. It is recognised that VFM may be obtained through internet purchasing where order numbers are not raised at the time of placing the order.
- **D9** Order requisitions are raised and signed by approved budget holders who are responsible for ensuring that the goods or services ordered are appropriate and required, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary.
- **D10** Orders are used only for goods and services provided to the schools. Individuals must not use official orders to obtain goods or services for their or others' private use.
- **D11** All orders must be countersigned or approved electronically on the Finance system in accordance with local finance manuals. Thresholds for the Principals to sign orders are agreed locally and approved by the Finance & Resources Committee.
- **D12** When an order is placed, the estimated cost is committed against the appropriate budget allocation so that it features in subsequent budget monitoring.
- **D13** Goods and services are checked on receipt to ensure they match the order, the invoice is marked accordingly, and the check is recorded on the finance system. This is not done by the person who signed the order.
- **D14** Payment is made only when an invoice has been received, checked, coded and certified for payment, unless specific terms are agreed. Agreed supplier payment terms and condition should be complied with wherever possible.
- **D15** All supplier payments wherever possible are made using online banking and with dual authorisation.

## **E FINANCIAL CONTROLS**

CRSAAT have systems and internal financial controls in place to protect the schools' resources from loss or fraud, to safeguard staff and governors and to ensure that information provided about how the budget is being spent is accurate and timely. These controls are subject to scrutiny by internal and external auditors. The principles of separation of duties are understood and adhered to wherever possible but CRSAAT recognise that in common with many schools and businesses, this is not always possible.

- **E1** The CFO ensures that the school has written descriptions of all its financial systems and procedures in the form of Financial Manuals or operating documents and these are used in conjunction with this policy. These are kept up to date and all appropriate employees are trained in their use.

- **E2** The CFO ensures that financial control is maintained in the absence of key personnel through staff training or by arranging job shadowing. Staff and A&R committee members have completed a Financial Management Competencies matrix analysis.
- **E3** The school maintains proper accounting records and retains all documents relating to financial transactions for at least the period required by statute i.e. 6 years plus the current year and will provide auditors with any documentation and explanations they consider necessary.
- **E4** There is a clear audit trail, with all financial transactions being traceable from original documentation to accounting records, and vice versa.
- **E5** All accounting records are securely retained when not in use and only authorised Finance staff are permitted access.
- **E6** The CFO ensures that all expenditure from ring-fenced sources of income/grants is accounted for separately and transparently and that the funding is used for its intended purpose.
- **E7** The AO shall immediately inform the Internal Auditor and ESFA where necessary of any loss or financial irregularity or suspected irregularity, or of any circumstances which may suggest the possibility of such loss or irregularity, including any affecting cash, stores or other property of CRSAAT

## **F INCOME**

CRSAAT ensures that appropriate controls in place to ensure the security of income.

- **F1** CRSAAT has a Charging & Remissions Policy for School trips, music tuition, private photocopying, private telephone calls and the supply of other goods or services.
- **F2** Proper records are kept of all income due and received.
- **F3** All lettings are authorised in accordance with the Lettings Policy.
- **F4** Payments for income due may be received electronically or without invoices where the value and number of transactions warrant. Examples are for receipt of trip money via ParentPay. These will remain fully reconcilable to source records.
- **F5** Schools raise official, pre-numbered invoices and maintains adequate formal documentation for all income where required.
- **F5** Cash and cheques are locked away to safeguard against loss or theft.
- **F6** Collections are paid into the appropriate bank account promptly and in full. Bank paying-in slips show clearly the split between cash and cheques and list each cheque individually. The receipt number(s) should also be referenced in the paying in book/sheets when income is banked to provide an effective audit trail between incomes received and banked.
- **F7** Income collections are banked intact and must not be used for the encashment of personal cheques or for making payments.
- **F8** There is a reconciliation of the sums collected with the sums deposited at the bank.

- **F9** Any sales invoices unpaid after 30 days or outside other agreed terms will be subject to credit control procedures. The CFO reviews debtor balances regularly.
- **F10** Debts are written off only in accordance with approval of the chair of the F&R committee and a record kept of all sums written off.
- **F11** The Principal ensures that machines taking money where installed, including telephones, are emptied and the cash counted by two people.
- **F12** VAT on income will be accounted for according to current VAT legislation.

## **G BANKING, CHEQUE PAYMENTS AND CREDIT CARDS**

The CFO ensures that bank accounts are properly administered and controlled. Cheque payments are kept to a minimum

- **G1** The school obtains bank statements from online banking which are reconciled with their accounting records. Any discrepancies are investigated. The process is performed on the accounting system and automatic records are available from the system.
- **G2** Individuals should not use their private bank accounts for any payments or receipts related to the school's budget or use the school's accounts for payment of their personal expenditure or income.
- **G3** Payments are made by electronic banking wherever possible and always under dual authorisation. Access to online banking is strictly reserved for finance staff and is PIN, password and device protected.
- **G4** Cheques must bear the signatures of two signatories approved by the F&R Committee. F&R Committee approves a list of cheque signatories and changes to the list.
- **G5** Supporting vouchers are made available to cheque signatories to safeguard against inappropriate expenditure.
- **G6** All cheques drawn on the account(s) are crossed 'account payee only' to avoid the possibility of improper negotiation of the cheques.
- **G7** Cheques should not be pre-signed.
- **G8** Chequebooks are held securely when not in use.
- **G9** Credit cards are held by school staff as agreed by the F&R committee and with an agreed monthly expenditure limit.
- **G10** School credit cards can be used by procurement staff for online purchases where required, with a full record of all purchases signed by the cardholder and supported by receipts where available. A list of card holders and changes to the list is approved by F&R Committee

## **H PAYROLL**

CRSAAT may choose to outsource payroll and associated personnel services. ~~References to Principal below can be substituted by Trust HR Manager where the appointment is a Central appointment.~~ The



Trust Payroll Service Manager will manage the Payroll provider and perform checks and reviews as submitted from the schools and central team.

- **H1** The administration of personnel activities, including appointments, terminations and promotions are covered by CRSAAT pay policy.
- **H2** The Principal ensures that, where practicable, the duties of authorising appointments, making changes to individuals' conditions or terminating the employment of staff are separated from the duties of processing claims.
- **H3** The Principal will always sign all documents relating to appointments, terminations or changes to terms of employment.
- **H4** The school ~~will maintain the staff records on the HR system from which monthly payroll data is drawn. has sent in the names and specimen signatures of certifying officers to the payroll provider.~~
- **H5** The Principal ensures that only authorised employees have access to personnel files and that arrangements for staff to gain access to their own records are in place.
- **H6** All payroll transactions are processed through the payroll system.
- **H7** The ~~CFO & delegated staff~~ school will maintain lists of staff employed on the HCSS budgeting, Personnel & payroll systems. maintains lists of staff employed on the HCSS budgeting system. Procedures are in place to ensure that these lists are updated promptly to reflect new starters and leavers and changes to contract terms. Principals have a responsibility to ensure that this information is available to the CFO as soon as possible.
- **H8** The CFO or delegated staff obtain regular reports on payroll transactions and checks them against the school's documentation on staffing and pay and HCSS to ensure that they match. Sample checking against previous pay levels takes place to ensure that the right individuals have been paid the right amounts.
- **H9** Teachers' pay is subject to audit from external auditors as part of the Teachers' Pensions audit.

## J CASH MANAGEMENT & PETTY CASH

The AO has controls in places to ensure that petty cash is secure and its use appropriate. The amount of cash handled in school is minimised by use of online payment collection systems.

- **J1** The amount of petty cash to be held which represents a balance between convenience and the risk of holding cash on the premises. The petty cash "float" is set at local school level and will not exceed £500 unless at high demand times, this can be increased by prior authorisation of the Principal.
- **J2** The Principal ensures that the petty cash fund is held securely and that only authorised employees have access to it. This is administered by the Finance staff, and locked in a petty cash tin.
- **J3** Payments from the petty cash fund is limited to minor items, individual claim limit £50, which have been approved in advance by an authorised member of staff. In exceptional circumstances, this limit can be raised, with the prior agreement of the Principal.

- **J4** receipts, identifying any VAT paid, must support all expenditure from the fund. Cash is signed for by the recipient and countersigned by an authorised member of staff.
- **J5** Proper records are kept of amounts paid into and taken out of the fund.
- **J6** The amount in the petty cash fund is periodically checked against the accounting records and reviewed by an independent member of staff.
- **J7** Personal cheques are not encashed from the petty cash fund.
- **J8** Accounting duties involving cash are carried out under dual control within the Finance office.

## **K TAX**

The CFO ensures that the school complies with Value Added Tax (VAT) and other tax regulations i.e. Corporation Tax and Construction Industry Scheme (CIS). No responsibility is accepted for individual staff tax affairs.

- **K1** The Principal ensures that all relevant finance and administrative staff are aware of tax regulations.
- **K2** School procedures stipulate that only proper VAT invoices are paid, as the school will not be reimbursed in the absence of such documentation. VAT returns will be completed at least termly.
- **K4** The school makes payments to contractors and subcontractors only in accordance with the Construction Industry Scheme (CIS).

## **L VOLUNTARY FUNDS**

Voluntary funds e.g. donations from parents, pupils and other benefactors are not public money. This section only applies to voluntary funds that belong to the school and not other organisations that have a connection with the school such as a PTA.

- **L1** The Principal ensures that voluntary funds are accounted for separately from the school's delegated budget although these must be recorded in the school's finance system.
- **L2** The F&R Committee oversees the funds and this is reflected in the terms of reference of the Committee.
- **L3** The AO ensures that the same standards of financial accounting which apply to income and expenditure for the school's delegated budget are applied to the voluntary funds.
- **L4** Receipts are issued for any donations entering voluntary funds.
- **L5** The AO ensures that regular reconciliations between the accounting records and the balance on the finance system are undertaken and independently reviewed.

## **M ASSETS AND SECURITY**

Assets are recognised as such and recorded in a Fixed asset Register where the purchase price (excluding VAT) is £1,000 or greater **per item, or a bulk purchase of items under £1,000 exceeds £10,000** and the asset has an expected life of **more than 1 year**.

Depreciation is charged on a straight-line basis on different categories of assets as follows

- Land 0%
- Buildings 2%
- Fixtures, fittings and equipment and computer equipment 33%

Interim rates may apply where an academy with existing different rates joins the Trust.

- **M1** A separate register is maintained of all items of equipment that is portable and particularly vulnerable to potential theft.
- **M2** The Principal arranges for the asset register and the equipment register to be checked at least once a year against physical items. The annual spot check is signed off and dated by the member of staff undertaking the check, and the CFO. All discrepancies are investigated and any over £100 reported to the Principal and his signature is obtained to confirm this.
- **M3** Whenever school property, for example musical instruments or computers, (with the exception of staff laptop computers) is taken off the school site it is signed for and a register noted accordingly.
- **M4** Write offs and disposals of assets and equipment are authorised by the Chair of F&R committee on request from the CFO. For items over £1000, the Chair's approval is sought first, or by Chair's action in an urgent situation and reported to the relevant committee at the next meeting.
- **M5** Safes and similar deposits are kept locked and the keys removed and held in a different location.
- **M6** The F&R committee reviews plans for the use, maintenance and development of the school's buildings.

## **N INSURANCE**

CRSAAT has joined the DFE's risk pooling arrangement (RPA) and further insurance protection is in place where appropriate.

- **N1** The school reviews all risks annually, to ensure that the sums insured are commensurate with the risks.
- **N2** The CFO will advise on whether or not to insure risks not covered by the main premium. The costs of such premiums are met from the school's delegated budget.
- **N3** The school will notify its insurers, and other agent as appropriate of all new risks, property, equipment and vehicles that require insurance or of any other alteration affecting existing insurance.
- **N4** The school does not give any indemnity to a third party without the written consent of its insurers or other agent as appropriate.
- **N5** The school will immediately inform its insurers, or their agent of all accidents, losses and other incidents that may give rise to an insurance claim.
- **N6** Insurance arrangements cover the use of school property, for example musical instruments or computers, when off the premises.

