



Financial Regulations Policy

Avonreach Academy Trust

Approved by:	Board of Trustees
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Associated documentation	
Multi-academy trust master funding agreement	July 2017
Academies supplemental funding agreements	July 2017
Academies Financial Handbook	Sept 2016
Academies Accounts Direction	Last update Mar 17
Charging & Remissions Policies	See each school's policy
Whistleblowing Policy	November 17
Risk Management Policy	November 17

This document sets out the regulations for the MAT and member academies

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Introduction

1. The purpose of this manual is to ensure that the multi academy trust (MAT) maintains and develops systems of financial control, which conform to the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of our funding agreement with the Secretary of State for Education, through the Education and Skills Funding Agency (ESFA).
2. The MAT must comply with the principles of financial control outlined in the Academies Financial Handbook. This manual expands on that and provides detailed information on the MAT's accounting procedures and system manual should be read by all staff involved with financial systems.
3. This manual serves as an adjunct to the scheme of delegation providing information on the day-to-day operations and practicalities forming from this financial regulation manual.

Financial Planning

4. The academy trust prepares rolling 3 to 5 year budgets.
5. The DfE require every trust to appoint a senior executive leader who will also be its accounting officer, ensuring that these roles do not rotate so that there is no ambiguity about who is accountable for the financial management and integrity of the trust. The designated **accounting officer** of Avonreach Academy Trust is the **Executive Officer (EO)**.

The budget cycle

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

All requirements of the ESFA, in particular relating to carry forward of unspent funds, will be taken into account in preparing and submitting the budget.

Budget

7. Each **Headteacher/Local Governing Body** are responsible for producing their own annual budget. This is to be forwarded to the **Chief Finance Officer (CFO)** for approval by 31st May annually.

8. The **CFO** is responsible for collating, preparing and obtaining approval for the combined annual budget. The budget must be approved by the **EO** and the **Board of Trustees**.
9. The annual budget will reflect the best estimate of the resources available to the MAT for the forthcoming year and will detail how those resources are to be utilised. There should be a clear link between the development plan objectives and the budgeted utilisation of resources.
10. The budgetary planning process will incorporate the following elements:
 - forecasts of the likely number of pupils to estimate the amount of General Annual Grant (GAG)
 - latest estimate of other ESFA funding e.g. pupil premium
 - review of other income sources available to the academy to assess likely level of receipts
 - review of past performance against budgets
 - identification of potential efficiency savings
 - review of the main expenditure headings in light of the development plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes
 - all carry forward balances
 - any unspent grants from the previous financial year
 - any funds held in Trust
11. Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where cuts can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and expenditure are in balance. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need in accordance with the Development Plan.
12. If there is a significant (over 10%) departure from the anticipated budget this will be escalated to the **Board of Trustees** as part of the monthly management accounts procedure.
13. The approved budget is then entered onto the PS Financials finance system at the start of the new financial year.

Other Government Funding

14. In addition to GAG funding from ESFA the trust may be awarded specific funding for other projects e.g. Condition Improvement Funds, Character Bid funding, Additional Special Educational Needs funding etc. This funding may be from the Department of Education or Local Authority. All government funding will be spent in accordance with the terms and conditions imposed, accurately recorded as government income (restricted) and audited externally annually.
15. The **CFO** is responsible for recording income and expenditure for each grant, providing a reconciliation within the monthly management accounts.

Other Grants and specific funding

16. In addition to the GAG funding from the ESFA and other government funding, the MAT may be awarded additional grants from time to time relating to specific projects e.g. Sport England Funding, Football Foundation Funding, Charitable Grants etc. All applications for additional external funding in excess of £100,000 must be approved and supported by the **Board of Trustees**. All external funding and grants will be spent in accordance with the terms and conditions imposed, accurately recorded as income specific to a certain project and audited

externally annually.

17. The **CFO** is responsible for recording income and expenditure for each grant, providing a reconciliation within the monthly management accounts.

Funds held in Trust

18. Where funds are held in trust the **CFO** is responsible for ensuring accurate recording of the income and expenditure, as well as ensuring the funds are recognised separately as set out in the memorandum and articles.

Revised Budget

19. Monitoring and analysis of the agreed budget should be carried out on a monthly basis by the **Accounting Officer** and **CFO** and reports forwarded to the **Board of Trustees**. Where significant variations to the agreed budget are identified or where a number of substantial virements have been approved and/or where significant staff changes have occurred in-year, then a Revised Budget should be prepared and approved by the **Board of Trustees**. This Revised Budget should then form the basis of analysis of all income and expenditure until the financial year end.

Budget Forecast Return

20. The approved budget must be submitted to ESFA by 31 July each year by the **CFO**. The **CFO** is responsible for establishing a timetable, which allows sufficient time for the approval process and ensures that the submission date is met.

Monitoring and review (including management accounts)

21. Consolidated monthly reports are prepared by the **CFO**. The reports include:
 - actual income and expenditure against budget (by period and year to date (YTD))
 - balance forecast
 - summary highlight, explaining variances of at least 5% or £50,000 (whichever is smaller), identifying financial performance for each individual academy.
22. Any potential overspend against the budget must in the first instance be discussed with the **EO**.
23. The monthly reports are sent to the **accounting officer**, **Finance and Audit Committee** and the **Chair of Trustees**.

Independent checking procedures

31. Assurance is achieved through an agreed annual programme of risk review and checking of internal controls by the **Finance and Audit Committee** and the **Responsible Officer (RO)**. Additional assurance may be sought through a supplementary programme of work by the MAT's external auditors. The duties of the **Finance and Audit Committee** and **RO** may be outsourced to the MAT's external auditors or another provider with an appropriate level of qualifications and/or experience to check the trust's internal controls.
32. The **Finance and Audit Committee** is a committee of the **Board of Trustees**. The **Finance and Audit Committee** meets at least once a term but more frequent meetings can be arranged if necessary.

33. The role and responsibilities of the **Finance and Audit Committee** are to provide an internal assurance service to maintain an oversight of the MAT's governance, risk management, internal control and value for money framework extending to the financial controls and risks at constituent academies.
34. The **Finance and Audit Committee** will agree an annual programme of work and report its findings annually to the **Board of Trustees** and the **Accounting Officer** as a critical element of the MAT's annual reporting requirements. The **Finance and Audit Committee** has no executive powers or operational responsibilities/duties.
35. The **RO** is appointed by the **CFO**, by approval of the **Finance and Audit Committee** and provides the committee with an independent oversight of the academy's financial affairs.
36. The **RO** will undertake a termly programme of reviews, in the Spring and Summer Autumn terms, to ensure that financial transactions have been properly processed and that controls are operating as laid down by the **Board of Trustees**. A report of the findings from each visit will be presented to the **Finance and Audit Committee**. Detailed guidance on the transactions to be checked by the **RO** is given in Appendix A of the DfE Guidance.

Review of regularity

37. The **EO** (in their role as **Accounting Officer**) reviews the following documents termly to ensure the academy trust is working within the boundaries of regularity and propriety:
 - reviews management accounts
 - reviews compliance against the scheme of delegation
 - reviews transactions for evidence of connected party transactions
 - value for money practice
38. The **Accounting Officer** may delegate the following responsibilities to the **CFO**:
 - adherence to tendering policies
 - review of transactions confirming in line with delegated authorities as set out by the Academies Financial Handbook
 - review of trustees/governors' minutes
39. The checklist at Appendix 2 will be completed for each review undertaken.

Annual accounts

40. The MAT must prepare annual audited financial statements for the accounting period to 31 August.
41. The accounts are outsourced to the external auditors for preparation.
42. The accounts are then submitted as follows:
 - by 31 December – to ESFA
 - by 31 January – published on our own website
 - by 31 May – to Companies House

Value for money statement

43. As part of the annual accounts the trust must include 3 focussed examples of value for money.
44. The **CFO** is responsible for collating the examples which are then confirmed by the **Finance and Audit Committee**.

Audit arrangements

45. External auditors must be appointed in accordance with the Academies Financial Handbook.
46. The **CFO** is responsible for managing the audit process, by liaising with the auditors, arranging the timetable for accounts and audit completion and ensuring deadlines are met.

Work undertaken during accounting period

47. The **CFO** is responsible for the following tasks to be undertaken during the year to facilitate a smooth audit process:
 - reviewing the structure of the trial balance
 - maintaining a fixed asset register
 - depreciation
 - maintaining income and expenditure records (including filing of invoices)
 - reviewing aged debtors for any provisions required
 - maintaining a record of governors/trustees interests, related and connected party transactions
 - control account reconciliations (bank, wages, debtors, creditors)
 - Monitoring & reporting to the **Accounting Officer** and **Board of Trustees**

Work undertaken for the year end

48. The **CFO** is responsible for the following tasks to be undertaken at the end of the year to facilitate a smooth audit process:
 - stock take and including of year end stock value
 - prepayments
 - prepayments or accruals for grant income
 - control account reconciliations (bank, wages, debtors, creditors)
 - close down of the purchase ledgers
 - close down of the sales ledgers and aged debtors
 - pension valuations
 - pension audit

Accounts Return

49. The trust must prepare an annual accounts return for the accounting period to 31 August, which is submitted to the ESFA by 31 December.
50. The accounts return is prepared in house by the **CFO** but may be outsourced to the

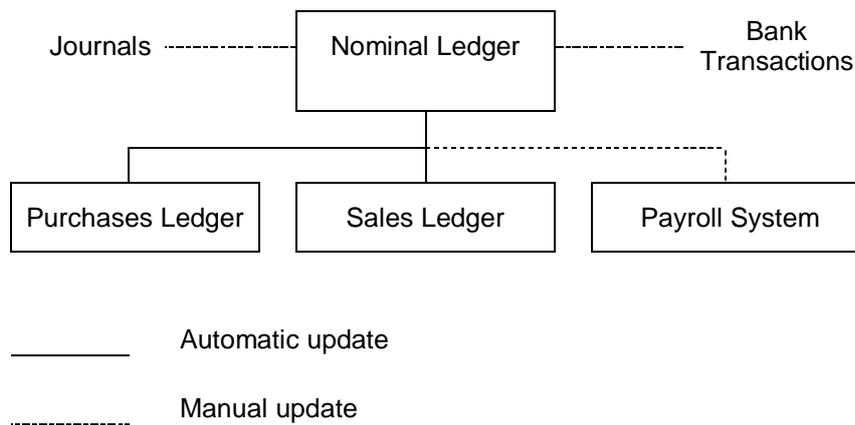
external auditors for preparation.

Document retention

51. Documents are retained for the following amount of time:
- Finance records – current year plus preceding 6 years
 - Supply cover insurance – current year plus preceding 6 years
 - Payroll and travel records – current year plus preceding 6 years
 - Personnel records – 5 years after an employee has left
 - All student files until the student reaches the age of 21

Accounting system

52. All the financial transactions of the academy trust must be recorded into the **PS Financials** accounting system. These systems are operated by the Central Finance Office and consists of:



System Access

53. Access to **PS Financials** administration system is password restricted to the **CFO**.
54. Access to the component parts of **PS Financials** is password restricted and the **CFO** is responsible for setting access levels for all members of staff using the system.
55. When passwords for the administration system are changed the new password should be placed in a sealed envelope and stored in the central finance office safe. The **CFO** is responsible for implementing a system which ensures that passwords are changed regularly.

Back-up Procedures

56. The **CFO** is responsible for ensuring that there are effective back up procedures for the system. Data is backed up on a cloud based system managed by **PS Financials**.

Transaction processing

57. All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual.

58. All journal entries are recorded in and authorised by **CFO**, on a monthly basis.
59. Bank transactions are input by **local finance administrators** and/or the **central finance team**, and the input should be checked, and signed to evidence this check by the **CFO**.
60. Systems notes on the operation of the finance system are held in the finance offices.

Transaction reports

61. The **CFO** reviews the following system reports to ensure that only regular transactions are posted to the accounting system:
 - master file amendment reports for the payroll, purchase ledger and sales ledger;
 - management accounts summarising expenditure and income against budget at budget holder level.

Reconciliations

62. The **CFO** is responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:
 - creditors
 - debtors
 - payroll control account
 - VAT control account
 - bank balance per the nominal ledger to the bank statement
63. The **CFO** signs all reconciliations as evidence of review.
64. Any unusual or long outstanding reconciling items are brought to the attention of **CFO** and dealt with according to the bad debt limits in this manual.

Cash Management

Bank Accounts

65. The following procedures must be followed when opening a bank account and operating it:
 - the MAT is responsible for selecting the banking institution and negotiating the terms and conditions
 - the **Board of Trustees** must authorise the opening of all bank accounts
 - the MAT will ensure that in the event of changes to key personnel or trustees, signatories will be changed immediately and the bank notified. Any on-line access to banking will also be removed
 - terms of arrangements, including cheque signatories or BACS authorisations and the operation of the accounts must be formally recorded and agreement minuted
 - the trust must inform the bank, in writing, that their accounts must not become overdrawn
 - the trust must ensure there are sufficient funds to cover large payments

Deposits

66. Cash and cheques should be kept in a locked safe until deposited at the bank. Deposits at the bank should be on a regular basis, at least weekly where the amount held is over £500.
67. A deposit must be entered on a copy paying-in slip or listed in a supporting book with the following details:

- the amount of the deposit
 - a reference (for example the number of the receipt or the name of the debtor)
68. **Finance staff** are responsible for updating the accounting system on the same working day for deposits placed.
69. The **CFO** is responsible for ensuring all deposits are recorded in the finance system within 3 working days.

Payments and withdrawals

70. All cheques and other instruments authorising withdrawal from MAT bank account must bear the signatures of two of the following authorised signatories:
- EO
 - CFO
 - SBM
 - Headteachers
 - PHS Deputy Headteacher
 - Authorised signatories at CoF, IFS, NJK
71. These provisions apply to all accounts, public or private, operated by or on behalf of the MAT and governing bodies of the academies including funds held in trust. Authorised signatories must not sign a cheque relating to goods or services for which they have also authorised the expenditure.
72. **Finance staff** are responsible for updating the accounting system within 2 working days.
73. The **CFO** is responsible for ensuring all payments are recorded in the finance system within 5 working days.

Administration

74. The **CFO** ensures bank statements are downloaded regularly and that reconciliations are performed at least on a monthly basis. Reconciliation procedures must ensure that:
- all bank accounts are reconciled to the academy's cash book
 - reconciliations are prepared by the finance team
 - reconciliations are subject to an independent monthly review carried out by **CFO** or in his/her absence the **Accounting Officer**
 - adjustments arising are dealt with promptly

Petty Cash

75. All claims for minor purchases are to be reimbursed via the BACS payment system.
76. Payments are made on production of a valid till receipt or other proof of payment and are subject to the same authorisation procedures as purchases from the main bank account.

Debit Cards

77. The debit cards are used only when it is not practical to use the purchase order system. They should be used mostly for internet purchases and to buy refreshments for meeting etc.

78. Cards are kept by named users and held securely in accordance with the Debit Card Policy.
79. The card is used and payments are recorded and reconciled in accordance with the Payment Card Policy.

BACS Payments

80. A purchase invoice will only be authorised for payment once the following steps/checks have been completed:
- an official purchase order has been raised for the purchase
 - the delivery note has been checked
 - the delivery is of correct quantity, quality and price
 - goods receipting has been conducted
 - the invoice has not been previously paid
 - funds are available in the relevant budget
 - VAT chargeability on qualifying expenditure is shown
81. The payment is then prepared for BACS payment. It then passes to the **CFO** and one of the signatories, who check in ensure that the bank and sort codes have been correctly entered and approves payment.
82. Normally, BACS payments are processed within a 30 days of the invoice date, although every effort is made to ensure the MAT complies with the supplier credit terms and benefits from early payment discounts.

Investments

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

Reserves

85. Any overall surpluses or deficits (reserves) at the end of the year are carried over to the following year.
86. The **EO** as **Accounting Officer** must inform ESFA immediately if a deficit is anticipated.
87. If the MAT is anticipating a deficit at the end of any financial year, the **Board of Trustees** and **CFO** have a responsibility to ensure action is taken at the earliest opportunity to address this issue. The **Board of Trustees** must ensure that a recovery plan is submitted and approved by the ESFA.
88. If an academy is anticipating a deficit at the end of any financial year, the **Local Governing Body** and **Headteacher** have a responsibility to ensure action is taken at the earliest opportunity to address this issue. The **Local Governing Body** must ensure that a recovery plan is submitted and approved by the **Board of Trustees**.
89. If an academy has a surplus larger than 12% of its GAG allocation, the **Local Governing Body** will need to submit a detailed plan stating why the academy trust requires reserves to be held at this level

together with a plan for the date of expenditure

90. The MAT undertakes to ensure that a contingency reserve of 2% of the combined previous year's total GAG is kept.

Capital Reserves

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

Endowments

93. The **CFO** is responsible for accounting for the transactions within the endowment fund.
94. Any transactions are in line with the memorandum and articles.

Payroll

Staff Appointments

95. The **Local Governing Body** has authority to appoint staff as detailed in the Scheme of Delegation. **Each academy** maintains personnel files for all members of staff which include contracts of employment. All personnel changes must be notified, in writing, to the **CFO** immediately.
96. The **CFO** is responsible for obtaining the relevant DBS checks for MAT central staff and ensuring these are retained on file.
97. Each **academy** is responsible for obtaining the relevant DBS checks for staff employed on their site and ensuring these are retained on file.

Payroll Administration

98. Payroll is administered through the academy trust's payroll provider.
99. All staff are paid monthly through the payroll provider.
100. The payroll provider is to produce a costing report for the **CFO** to reconcile by the 15th of each month. This is to be reconciled and once correct the **CFO** is to authorise the payroll run.
101. Employees are to use the Mercury system to register expenses, overtime, absences etc. Once checked, **Headteachers** are to authorise all claims by the 10th of each month. A report for all claims is
102. All salary payments are made by BACS.
103. The payroll system automatically calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions. The amounts payable are summarised on the costing report.
104. After the payroll has been processed the **CFO** is to journal all costs to the nominal ledger. Postings will be made both to the payroll control account and to individual cost centres. This journal transfer

does not require additional authority as the amounts have been approved through the payroll processes.

Salary advances

105. The trust does not award salary advances.

Severance payments

106. The academy trust is able to self-approve the non-contractual element of severance payments up to £50,000. A business case must be presented before agreeing a payment, using the form provided by ESFA on Gov.uk.

107. Where the non-contractual element is on or over £50,000 prior approval from ESFA must be sought.

108. The Accounting Officer must sign off and review each business case.

Ex-gratia payments

109. Any ex-gratia payments must be submitted to ESFA for prior approval.

Income

ESFA grants

110. The main sources of income for the academy are the grants from the ESFA. The receipt of these sums is monitored directly by **CFO** is responsible for ensuring that all grants due to the academy are collected.

Other grants

111. The receipt of these sums is monitored directly by **CFO** who is responsible for ensuring that all grants due to the academy are collected.

Sundry income

112. Income from other sources is priced in consultation with the **CFO**. The transaction must not be undertaken until the price has been agreed and the customer has been assessed for ability to pay. The **CFO** approves all credit agreements.

Gift aid

113. To ensure the academy trust, in its position as an exempt charity, receives all the monies it is entitled to the **CFO**:

- reconciles income against records to confirm expected amounts have been received by the donor
- ensures the tax reclaimable from HMRC has been obtained and any relevant business use deductions have been made.

Bad debts

114. The **local finance administrator** chases all monies due, and those that have not been paid within

30 days of an invoice being issues, by telephone or letter.

115. If the debt remains unrecoverable after 6 months, or it becomes clear that the debt will not be repaid, the **local finance administrator** submits a report to the **CFO** for approval of write off.

116. The following write off limits apply:

- Up to £150 – CFO
- £151 to £500 – Accounting officer
- £501 to £1,000 – Finance and Audit committee
- Over £1,000 - Board of Trustees and refer to debt collecting agency

Purchasing

117. The academy must achieve value for money on all purchases. A large proportion of purchases are paid for with public funds and we need to maintain the integrity of these funds by following the general principles of:

- Probity, it must be demonstrable that there is no corruption or private gain involved in the contractual relationships of the academy
- Accountability, the academy is publicly accountable for its expenditure and the conduct of its affairs
- Fairness, that all those dealt with by the academy are dealt with on a fair and equitable basis

Routine Purchasing

118. Budget holders will be informed of the budget available to them at the beginning of the academic year. It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent. Data detailing actual expenditure and committed expenditure (orders placed but not paid for) against budget is accessible to all budget holders via the PS Financial web portal.

119. Routine purchases, up to the lower of the budget limit or £1,000 can be ordered by budget holders. Budget holders will check with the **local finance administrator** who will advise the existence of supplier framework agreements and suppliers offering favourable terms of supply. A quote or price must always be obtained before any order is placed. If the budget holder considers that better value for money can be obtained by ordering from a supplier not on the approved supplier list the reasons for this decision must be discussed and agreed with **local finance administrator**. Copies of all quotes must be retained.

Orders

120. All orders must be made electronically on the web portal.

121. It is the responsibility of the budget holder to manage the budget and to ensure that the funds are available are not overspent, taking into account spending requirements for the whole budget period.

122. Approved orders will be recorded in the purchase order module of the financial information system which allocates a reference number and commits expenditure. Orders will be dispatched to the supplier by the **local finance administrator**.

123. The budget holder must make appropriate arrangements for the delivery of goods to the academy. On receipt the **budget holder** must undertake a detailed check of the goods received against the

goods received note (GRN) and make a record of any discrepancies between the goods delivered and the GRN. Discrepancies should be discussed with the supplier of the goods without delay. Once checked the GRN documentation should be forwarded to **local finance officer** for entry onto the purchase order system.

124. If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the **local finance officer** should be notified. The **local finance officer** will keep a central record of all goods returned to suppliers.

125. All invoices should be sent to the **local finance officer**. The purchase invoice will be recorded by the **local finance officer** (and the invoice scanned) into PS Financials purchase ledger module. The invoice will only proceed to payment where the following checks are completed to satisfaction during the input process:

- invoice arithmetically correct
- invoice posted to purchase ledger
- invoice coded correctly to nominal ledger
- goods/ services received
- goods/services as ordered
- prices correct
- invoice authorised for payment
- payment authorised
- VAT treated correctly

126. The budget holder must make a detailed check against the order and the GRN and these documents must be attached to the invoice before it is sent back to the **local finance officer**. Budget holders must undertake these checks without undue delay and in any case within 7 days of invoice receipt.

127. If a budget holder is pursuing a query with a supplier the **local finance administrator** must be informed of the query and periodically kept up to date with progress.

128. BACS payments are input by the **Central Finance Team** and authorised on-line by two signatories (see Payments above).

129. Cheque payments must be authorised by two of the nominated cheque signatories.

Orders over £1,000 but less than £10,000

130. At least three written quotations should be obtained for all orders between **£1,000 and £10,000** to identify the best source of the goods/services. There may be occasions where this is not possible where the supply is not routine (such as a property repair). Written details of quotations obtained should be prepared and retained by budget holders for audit purposes. Telephone quotes are acceptable if these are evidenced and recorded on the electronic purchase order system before a purchase decision is made and made in accordance with value for money principles.

Orders over £10,000

131. All goods/services ordered with a value over £10,000, or for a series of contracts which in total exceed £10,000 must be subject to formal tendering procedures.

Official Journal of the European Union (OJEU)

132. All Public Sector contracts, no matter what their value within European Union, are covered by a treaty which incorporate the free movement of goods and services, which prevents discrimination against firms on the grounds of nationality.
133. The Directives and Regulations require organisations to follow detailed procedures for all procurement above the financial threshold. The thresholds are reviewed annually.
134. A specific tender notice must be placed in the supplement to the OJEU to give all suppliers in the EU an equal opportunity to tender.
135. Tenders must be invited in accordance with one of the prescribed procedures (open, restricted, negotiated – there are two separate urgency procedures).
136. Contracts for the supply of goods, services and design contract over **£164,176**, lighter touch services **£589,148** and works contracts over **£4,104,394** are to be dealt with in accordance with OJEU. Contract sums are determined over the lifetime of the contract across the MAT, not just for a single year or a single academy where the supply is procured jointly.
137. The **CFO** will lead and the **Finance and Audit Committee** will review the procurement process where OJEU applies.

Trading with related parties

138. Declaration of interests will be completed by local governors, senior leaders, finance staff and staff with budgetary responsibility annually and recorded in a register of interests.
139. The **Finance and Audit Committee** will cross check the register of interests against purchase lists termly to identify any supply of goods and services from a related party to check compliance with the purchasing process.

Trading with connected parties

140. Declaration of interests will be completed by members and trustees annually and recorded in a register of interests.
141. Subject to compliance with the purchasing regulations above, a connected party (individual or company) can supply goods and/or services ('services' do not include services provided under a contract of employment) up to the value of £2,500 cumulatively, in any financial year which can include profit. Where the value of supply exceeds £2,500 all transactions must be 'at cost' without profit.
142. Where 'at cost' is triggered, a statement of assurance is required from the supplier to support the arrangement, which the **Accounting Officer** must review to ensure there are no issues with the transaction.
143. The **Finance and Audit Committee** will cross check the register of interests against purchase lists termly to identify any supply of goods and services from a connected party to check compliance with the purchasing process and the Academies Financial Handbook regulations.

Goods and services for private use

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

and staff.

Forms of Tenders

145. There are three forms of tender procedure: open, restricted and negotiated and the circumstances in which each procedure should be used are described below.

- **Open Tender:** This is where all potential suppliers are invited to tender. The budget holder must discuss and agree with the **CFO** how best to advertise for suppliers e.g. general press, trade journals or to identify all potential suppliers and contact directly if practical. This is the preferred method of tendering, as it is most conducive to competition and the propriety of public funds.
- **Restricted Tender:** This is where suppliers are specifically invited to tender. Restricted tenders are appropriate where:
 - there is a need to maintain a balance between the contract value and administrative costs,
 - a large number of suppliers would come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the academy's requirements,
 - the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.
- **Negotiated Tender:** The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances:
 - the above methods have resulted in either no or unacceptable tenders,
 - only one or very few suppliers are available,
 - extreme urgency exists,
 - additional deliveries by the existing supplier are justified.

Preparation for Tender

146. Full consideration should be given to:

- objective of project
- overall requirements
- technical skills required
- after sales service requirements
- form of contract.

147. It may be useful after all requirements have been established to rank requirements (e.g. mandatory, desirable and additional) and award marks to suppliers on fulfilment of these requirements to help reach an overall decision.

148. A tender brief must always be prepared and is reviewed by the **CFO**.

Invitation to Tender

149. If a restricted tender is to be used then an invitation to tender must be issued. If an open tender is used an invitation to tender may be issued in response to an initial enquiry.

150. An invitation to tender should include the following:

- introduction/background to the project
- scope and objectives of the project

- technical requirements
- implementation of the project
- terms and conditions of tender
- form of response
- dates for decision and work to be delivered

Tender Acceptance Procedures

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

Tender Opening Procedures

152. All tenders submitted should be opened at the same time and the tender details should be recorded. Two persons should be present for the opening of tenders as follows:

- For contracts up to £25,000 - two of the budget holder, the **CFO**
- For contracts over £25,000 - the **CFO** or the **Accounting Officer** plus a member of the **Board of Trustees**

153. A separate record details the names of the firms submitting tenders and the amount tendered. The record is signed by both people present at the tender opening.

Tendering Procedures

154. The evaluation process should involve at least two people. Those involved should disclose all interests, business and otherwise, that might impact upon their objectivity. If there is a potential conflict of interest then that person must withdraw from the tendering process.

155. Those involved in making a decision must take care not to accept gifts or hospitality from potential suppliers that could compromise or be seen to compromise their independence.

156. Full records should be kept of all criteria used for evaluation and for contracts over £25,000 a report should be prepared for the **Finance and Audit Committee** highlighting the relevant issues and recommending a decision. For contracts under £25,000 the decision and criteria should be reported to the **Audit Committee**.

157. The accepted tender should be the one that is economically most advantageous to the academy. All parties are then informed of the decision.

Insurance

158. The **Board of Trustees** reviews insurance arrangements annually. They ensure that the sums insured are commensurate with the risks and include cover for academy trust property when off the premises.

159. We have opted in to the Department for Education's Risk Protection Arrangements.

160. Academies/budget holders must ensure all valuable are kept under lock and key when not being used in a supervised manner.

Governors/Trustees Expenses

161. The **Board of Trustees** acknowledges that:

- Governors/Trustees are not be paid attendance allowance
- Governors/Trustees are not reimbursed for loss of earnings

162. Governors/Trustees wishing to make claims, must complete a claims form from the **local finance officer** together with the relevant receipts. The form must be submitted to the **CFO** within two weeks of the date when the cost were incurred, when they will be submitted for approval by the Chair of Governors/Trustees or Chair of committee with delegated responsibility for final approval.

163. Claims will be subject to independent audit and may be investigated by the Chair of Governors/Trustees/Finance and Audit Committee if they appear excessive or inconsistent.

Gifts

164. Gifts of hospitality must be rejected if the individual, academy or MAT cannot demonstrate that there has been no undue influence applied or could have been said to have applied by any other supplier or anyone else dealing with the academy/MAT. The academy/budget holder should be able to show that all decisions are reached on the basis of value for money and for no other reason.

165. Gifts or hospitality in excess of £25 are reported to the **Accounting Officer** in order to protect the individual receiving the gift. This is particularly important where the person receiving the gift is a budget holder, has the ability to influence purchasing decisions or regularly receives reimbursement from the school for items other than travel expenses.

166. Gifts/hospitality in excess of £25 that have been reported are entered onto the gifts and hospitality register.

Energy Management

167. Each academy is responsible for recording, monitoring and analysing water, gas and electricity consumption on a monthly basis. Meters should be check before authorising any invoices from the utilities providers. Any discrepancies or unusual reading should be raised with the **local finance administrator** and reported to the **CFO** immediately.

168. Each academy ensures that the school's heating system is operated and run as efficiently as possible.

169. The **CFO** ensures that the MAT is purchasing energy at the most competitive prices available.

170. All staff have the responsibility to work in an energy efficient manner at all times (e.g. turning off computers, lights and heating when not required).

Fraud

171. The trust does not tolerate fraud. Where instances of fraud are found the **Accounting Officer** will notify the ESFA.

Whistleblowing

172. The MAT whistleblowing policy is displayed in the staffroom in all academies and is available in the

policy area of the electronic filing system.

Leasing

173. Academies/MAT may consider leasing to secure equipment and facilities and should refer to the guidance in **Appendix 3**.

174. Leasing agreements must be reviewed by the **CFO** and approved by the **EO** or **Chair of Trustees**.

Pooling of GAG

175. The Trustees have agreed that GAG is not pooled currently and reserve the right to review this.

VAT

VAT 126 form

176. The **CFO** will follow the guidance of the independent auditors who will advise the MAT of the business use VAT claim deduction and any partial exemption requirements.

177. The **CFO** is responsible for submitting the VAT 126 form at least annually, but normally monthly.

Fixed assets

178. Occupation of church land and buildings is subject to the supplemental agreement. The **EO/Headteacher** must be familiar with the obligations of the academy imposed within the lease and are responsible for compliance (this includes, but is not limited to insurance, repairs, signs and adverts, planning and environmental matters, use).

Asset register

179. All items purchased with a value over the academy's capitalisation limit of £1,000 must be entered on the fixed asset register maintained by the **local finance administrator** with the following details:

- asset description
- asset number
- serial number
- date of acquisition
- asset cost
- source of funding (% of original cost funded from grant and % funded from other sources)
- expected useful economic life
- depreciation
- current book value
- location
- name of member of staff responsible for the asset

180. 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
- support insurance claims in the event of fire, theft, vandalism or other disasters

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

- ICT hardware and software (this list can be combined and used to identify software licences to ensure the school is complying with legislation)
- Reprographic equipment – photocopiers, comb binders, laminators
- Office equipment – fax machines, shredders, switchboard
- Furniture
- AVA equipment – TVs, video/DVD players, OHPs, cameras, speakers
- Cleaning equipment – vacuum cleaners, polishers
- Catering equipment – ovens, fridges, dishwashers, food processors
- Technology equipment – sewing machines, craft machinery
- Premises equipment – lawn mowers, power tools, generators
- Other equipment – musical instruments, PE equipment
- Mini buses

Security of assets

182. All the items in the register are permanently and visibly marked as the academy trust's property.

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

184. At the end of the Summer Term an annual count is supervised by the **Headteacher**, who is different from the preparer of the asset register. Where discrepancies between the physical count and the amount recorded in the register are found these are investigated promptly and, where significant, reported to the Board of Trustees.

185. Upon completion of the annual inspection, a paper copy of the register will be printed and signed by the **Headteacher** and forwarded to the **CFO** along with an electronic copy of the asset register who will retain a copy for inspection by the MAT auditors/Finance and Audit committee. The MAT central finance team will calculate depreciation and post journals to the finance system.

Disposals

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

187. Items which are to be disposed of by sale or destruction must be authorised for disposal by the **CFO** and, where significant, should be sold following competitive tender. The academy must seek the approval of the ESFA in writing if it proposes to dispose of an asset for which capital grant in excess of £20,000 was paid.

Loan of Assets

188. Items of academy property must not be removed from academy premises without the authority of the **Headteacher**. A record of the loan must be recorded in a loan book and booked back in academy when it is returned.

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

Authorisation limits

190. For clarity, the authorisation limits are set out in the table in Appendix 1.

Appendix 1 – Authorisation Limits

	Number of authorisers	Headteacher Pri/Sec	LGB Primary	CFO	Executive Officer (AO)	Board of Trustees
Purchase orders	1	£2,000/£10,000	£10,000	£25,000	£50,000	Over £50,000
Award contracts (total contract value over life)	1	£2,000/£10,000	£10,000	£25,000	£50,000	Over £50,000
Purchase ledger payments * (batch value)	2			£100,000	£100,000	Over £100,000
Staff appointments (as directed by the scheme of delegation)	1	All staff except Headteacher, Deputy Headteacher				Headteacher, Deputy Headteacher
Staff gross pay, overtime and expense claims	1	X		X	X	
Headteacher overtime and expense claims	1			X	X	
Payroll payments *	2			£1,000,000	£1,000,000	Over £1,000,000
Petty cash payments	2	£25		£25	£25	£25
Other payments	2	£2,000		£5,000	£10,000	Over £10,000
Bad debt write off				£150	£151-£500	£501-£1,000 Finance and Audit Committee >£1,000 Board of Trustees
Budget virements and journals	1	£10,000		£25,000	£50,000	Over £50,000

Appendix 2 – Regularity Checklist

Test	Reviewed	Comments
Governance		
Minutes of the various committees, and management accounts, have been reviewed for indications of irregular transactions	Yes/No/N/a	<i>By reviewing the minutes future plans may also be highlighted e.g. a potentially novel and contentious payment that requires prior approval, or restructuring that needs to be in line with ESFA</i>
The board of trustees and accounting officer have given formal representations of their responsibilities	Yes/No/N/a	
Management reporting documents have been reviewed	Yes/No/N/a	<i>These include budgets, management accounts, cash flow forecasts and KPIs</i>
Confirm compliance with the academy trust's Scheme of Delegation	Yes/No/N/a	
Internal controls		
Confirm that gifts and hospitality payments, such as long service awards and other benefits are given and received in line with the academy trust's policies	Yes/No/N/a	<i>You may wish to create a gifts and hospitality register that your staff use to identify payments</i>
Confirm that the use of expense claims or debit cards are in line with the academy trust's policies (and supported by receipts)	Yes/No/N/a	
Confirm that items claimed on expenses or purchased on debitcards are not for personal benefit	Yes/No/N/a	
Confirm the trust's property is under proper control to prevent loss or misuse	Yes/No/N/a	<i>You may wish to consider logging assets to keep track and making staff aware of all requirements</i>
Review the work of the independent checker (be it an employed trustee, peer to peer review, internal audit or supplementary work performed by the external auditor)	Yes/No/N/a	<i>You may wish to consider the responses to the greatest risks identified on the risk registers</i>
Income		
Check eligibility of pupils claiming free school meals	Yes/No/N/a	<i>You may wish to review against census submissions</i>
Confirm specialist grant income is spent as the purposes intended	Yes/No/N/a	<i>You may receive funding from the arts council or Sports England that have specific conditions attached to the grants</i>
Procurement		
Check that the lines of delegation and the limits set both internally and by ESFA have been adhered to	Yes/No/N/a	
Check, where necessary, whether tendering procedures have been administered through the Official Journal of the European Union (OJEU)	Yes/No/N/a	

Check formal contracts are in place, where required	Yes/No/N/a	
Check tendering policies have been adhered to, by undertaking a sample of 3 a term	Yes/No/N/a	
Check whether procurement activity has been in accordance with Annex 4.6 of Managing Public Money	Yes/No/N/a	
Check that employees have not personally benefitted from any transaction	Yes/No/N/a	
Are you confident that goods and services have been procured in an open and transparent manner?	Yes/No/N/a	<i>You may wish to complete spot checks on purchases</i>
Connected parties		
<i>Please see the NASBM factsheet on connected party transactions for guidance on the application of the policy (http://www.nasbm.co.uk/Home/EfA-Academies-Library.aspx)</i>		
Check declarations of business interests have been completed (for those in a position to influence the academy trust, including key staff)	Yes/No/N/a	
Check declarations of interest are published on the academy trust's website	Yes/No/N/a	
Check contracts with connected parties have been procured following the academy trust's procurement and tendering process	Yes/No/N/a	
For contracts entered into or renewed on or after 7 November 2013: Check the academy trust has obtained statements of assurance (confirming no profit element was charged)	Yes/No/N/a	
Check that governors who provide consultancy services to the academy trust are not receiving a profit for their services and the correct procurement and tendering process is being followed	Yes/No/N/a	
Check that employees who provide external consultancy that the income is being received into the academy trusts accounts if the work was performed within the academy trusts normal working hours	Yes/No/N/a	
Delegated authorities		
Check whether write offs are less than 1% of income or £45,000 (whichever is smaller)	Yes/No/N/a	
Check prior approval has been sought for acquisitions and disposals of freehold land and buildings	Yes/No/N/a	
Check prior approval has been sought for the disposal of a heritage asset	Yes/No/N/a	
Check prior approval has been sought taking up a leasehold greater than seven years	Yes/No/N/a	
Check prior approval has been sought for any novel and contentious payments e.g. honorarium	Yes/No/N/a	

Borrowing		
Review leases to confirm they are operating leases	Yes/No/N/a	
Check prior approval has been sought for any finance leases	Yes/No/N/a	
Check bank accounts are not in an overdraft position	Yes/No/N/a	<i>You may wish to speak to the bank regarding your facilities, either removing the overdraft or having a sweep between accounts</i>
Severance payments		
Check prior approval has been sought for non-contractual elements on or over £50,000	Yes/No/N/a	
Check all payments are not used as a substitute for taking appropriate action under the academy trust's misconduct or performance management procedures	Yes/No/N/a	
Check payments (irrespective of value) are in line with the severance guidance published by EFA (https://www.gov.uk/guidance/academies-severance-payments)	Yes/No/N/a	<i>All non-contractual severance payments should have due regard to the requirements of Managing Public Money</i>
Accounting Officer declaration		
Signature		
Date		

Appendix 3 – Leasing Guidance for Schools (content can be viewed electronically and printed by double-clicking on image)

Making the decision to lease

Leasing can be a great way for schools to secure the equipment (and facilities) they need to provide students with a first-class education.

The Finance & Leasing Association (FLA), National Association of School Business Management (NASBM) and the Department for Education (DfE) have prepared [this guide to help you](#) ensure that where you do choose to lease equipment, you're making the right choices for your school.

The commissioning process

Always go through your normal commissioning process for the equipment before considering any type of finance. This might involve a pre-purchasing review to confirm what equipment is needed, and preparation of specification and evaluation criteria.

The Government's advice to schools on how to plan and run an efficient procurement process for goods, works or services is an ideal way of assessing whether your existing commissioning process is sufficiently robust.

When you're ready to move ahead with the actual procurement, it's always a good idea to compare the cost of leasing against the cost of purchasing. Do shop around, as the most competitive quotes for purchasing the equipment might come from a supplier that doesn't offer leasing, or vice versa.

In addition, make sure you're comparing like with like. This can include whether different equipment models have a similar level of functionality and whether some leasing options include extras like maintenance and supplies (more on this later).

Do remember that leasing allows schools to:

- acquire equipment by making payments at regular intervals over the period it will be used.
- avoid very steep up-front purchase costs, especially in situations where cash flow considerations are key. But as with any finance product, schools should know the cumulative costs incurred by leasing, that is the annual charges multiplied by the number of lease years. This total cost should be the comparison for purchase costs.

Things to consider when taking out a lease

Know the finance company: Although some equipment manufacturers may supply both equipment and finance, many businesses offering leasing arrangements to schools are equipment suppliers who offer finance via third party finance companies.

When dealing with an equipment supplier, always check who the finance company will be. If they are members of the Finance & Leasing Association (FLA), this will give you the added assurance that the lender will be subject to [FLA's Business Finance Code](#) which sets out high standards for customer service, information and complaints procedures.

