

# Financial Regulations Manual 2023/24



# EPWORTH

## EDUCATION TRUST

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## Version Control

### Change Record

Date	Author	Version	Section	Reason for Change
Aug 23	A Sahi	2	2.8	LAB duties – removal of some financial duties
			3.5.2	Update re. approval of bank payments
			13	Monthly closedown procedures added
			throughout	Ref to sage, now changed to PSF. Inclusion of Finance & Hr partenrs

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# 1 Introduction

- 1.1 The purpose of this manual is to ensure that the Academy Trust maintains systems of control that conform with the requirements of propriety, regularity and of good financial management. It is essential that these systems operate properly to meet the requirements of our funding agreement with the Department for Education (DfE) alongside our commitment to managing public money appropriately.
- 1.2 The Academy Trust must comply with the principles of control outlined in the Academies Trust Handbook published by the Education and Skills Funding Agency (ESFA). This manual expands on these principles and provides detailed information on the Academy Trust's procedures that should be read by all staff involved with financial systems and procedures.

# 2 Organisation

- 2.1 The academy Trust has defined the responsibilities of each person or groups of people involved in the administration of Academy Trust's finances to ensure clarity of responsibilities and to provide a framework of accountability for trustees, governors and staff. The financial reporting structure is detailed below:

## 2.2 The DfE and ESFA

2.2.1 The DfE has ultimate accountability for the effectiveness of financial systems of academies. It will work to ensure that the framework of financial systems for academies ensures funds are managed effectively and deliver value for money and that a chain of accountability exists from DfE accounting officer level to the Accounting officer of the Trust.

2.2.2 The ESFA is an executive agency of the DfE and acts on behalf of the Secretary of State within delegated powers. The Accounting Officer of the ESFA is responsible and accountable for reporting to parliament on the effective use of funds allocated to academies. The ESFA's accounting officer is also personally responsible for the regularity and propriety of all expenditure of its funds and for ensuring value for money.

2.2.3 The ESFA has the power to remove the delegated financial authority of the Academy Trust through the issuing of a Financial Notice to Improve. This will bring additional scrutiny to the Trust and will require the Trust to gain authority to proceed in a number of areas of financial decision making from the ESFA until the FNtI is lifted.

## 2.3 The Board of Trustees

2.3.1 The Board of Trustees has overall responsibility for the oversight of the Academy Trust's finances. The main responsibilities of the Board of Trustees are prescribed in the Funding Agreement between the academy and the DfE and in the Academy Trust's scheme of delegation. The main responsibilities include:

- ensuring the financial sustainability of the Trust

- ensuring that grant funding from the DfE is used only for the purposes intended;
- ensuring that all funds received are used according to the Academy Trust's Funding Agreement, the law, our articles of association and the provisions of the Academies Trust Handbook;
- approval of the annual budget;
- appointment of the Accounting Officer and
- appointment of the Chief Financial Officer, in conjunction with the Chief Executive Officer.

## 2.4 The Finance trustees

2.4.1 The Finance committee members are Trustees or co-opted independent representatives appointed by and reporting to the Board of Trustees. The Finance trustees meet termly but more frequent meetings can be arranged if necessary. These responsibilities may be included in the terms of reference of the Finance Trustees committee on the authority of the Board of Trustees.

2.4.2 The main responsibilities of the Finance trustees are detailed in written terms of reference which have been authorised by the Board of Trustees. The main responsibilities include:

- the initial review and proposal of the annual budget;
- the regular monitoring of the management accounts including budget monitoring and variance analysis, review of cashflow and the balance Sheet;
- the review and scrutiny of the 3 year plan of the Academy Trust on an annual basis
- the review of reserve levels in line with the Reserves policy
- ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 2006 and the DfE guidance issued to academies in the Academy Accounts Direction;

## 2.5 The Accounting Officer

2.5.1 Within the framework of the Trust as approved by the Board of Trustee the Accounting Officer has overall executive responsibility for the Academy Trust's activities including financial activities. The Accounting officer has limits of authority described within the Scheme of delegation but is specifically responsible for ensuring that the Trust has the highest standards in the following areas:

- ensuring provision of **value for money** in the use of funds
- maintaining the highest standards of **propriety** at the Trust
- ensuring that there is consistent **regularity** in the transactions and affairs of the Academy Trust

The Accounting Officer is also responsible for informing the Board in writing circumstances where the Trust or the Board of Trustees have fallen below the standards required in the Academy Trust Handbook.

## 2.6 The Chief Financial Officer

2.6.1 The Chief Financial Officer works in close collaboration with the Accounting Officer through whom he or she is responsible to the trustees. The Chief Financial Officer also has direct access to the trustees via the Finance

Committee. The main responsibilities of The Chief Financial Officer are:

- the establishment and operation of a suitable accounting system;
- the management of the academy financial position at a strategic and operational level within the scheme of delegation determined by the Board of Trustees;
- implementation and operation of rigorous and robust audits and control;
- ensuring that the annual accounts are properly presented and adequately supported by the records of the academy trust and submitted on time;
- ensuring that the Annual Account Return is prepared accurately and submitted on time;
- the preparation of monthly and annual management accounts;
- the preparation of an annual and 3 year budget plan for the Trust and its presentation to the Board of Trustees for approval and onward submission to the DfE;
- ensuring other forms and returns are sent to the DfE in line with the timetable in the DfE guidance.
- the day-to-day management of financial issues;
- to provide day-to-day guidance and support to the Finance staff;
- ensure finance and payroll systems are effectively managed;
- the maintenance of effective internal controls;
- monitoring all insurance policies, including the Risk Protection Arrangement.

## **2.7 Internal Audit**

2.7.1 An internal auditor will be appointed by the Chief Financial Officer, after consultation with Trustees, providing the Board of Trustees (via the Audit Committee) with an independent oversight of the Academy Trust's financial affairs. The main duties of the Internal Audit provider are to provide the Board of Trustees with independent assurance that:

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

2.7.2 The Internal auditor will undertake an annual programme of review 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 Audit Committee.

## **2.8 Local Advisory Boards**

2.8.1 Local advisory boards have an important role in reviewing the financial activities of each Academy in the Trust.

2.8.2 They will receive regular reporting from the Relevant Academy Business Manager and the Headteacher of the Academy, and the main responsibilities include:

- Review of the annual budget to the Board of Trustees to give context
- Regular review of progress against the annual budget

## **2.9 Headteachers**

2.9.1 Headteachers are responsible for ensuring that the stipulations recorded within the Financial Regulations are adhered to and that all staff following the financial procedures described within the handbook.

2.9.2 They are also responsible for the oversight and management of the Academy budget as approved by the Board of Trustees.

## **2.10 Person responsible for Finance**

2.10.1 Each Academy has a person responsible for Finance who is responsible for maintaining the financial controls and procedures in their academy as laid out in these Financial Regulations

2.10.2 They are also responsible for maintaining day to day operation of the Scheme of Delegation at academy level and reporting to Local advisory boards on progress and issues arising.

2.10.3 The Chief Financial Officer will play a key role in ensuring adequate training is provided to ensure the person responsible for Finance at each academy can carry out their role effectively.

## **2.11 Other Staff**

2.11.1 Other members of staff will have some financial responsibilities, including as budget holders where delegated by the Headteacher. All staff are responsible for the security of academy property, for avoiding loss or damage, for ensuring economy, efficiency and effectiveness in the use of resources and for conformity with the requirements of the Academy Trust's financial procedures.

## **2.12 Register of Interests**

2.12.1 It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from the decisions they make. To avoid any misunderstanding that might arise all Academy Trust Members and Trustees, Local Governors and staff with significant influence or financial powers are required to declare any financial interests they have in companies or individuals from which the academy may purchase goods or services. The register is open to public inspection.

2.12.2 The register should include all business interests such as directorships, share holdings or other appointments of influence within a business or organisation which may have dealings with the academy. The disclosures should also include business interests of relatives such as a parent or spouse or business partner where influence could be exerted over a governor or a member of staff by that person.

2.12.3 The existence of a register of business interests does not, of course, detract from the duties of Trustees, Local governors and staff to declare interests whenever they are relevant to matters being discussed by the Board of Trustees or a committee. Where an interest has been declared, Trustees, Governors and

staff should not attend that part of any committee or other meeting.

### **3 Accounting system**

**3.1** All the financial transactions of the academy must be recorded in PSF, the Trust's financial accounting system. This system is operated by the Finance Department across the academies and contains details of all financial transactions carried out by the Academy Trust.

**3.2** The system has a cost centre for each academy within the Trust as well as a Trust level cost centre. A sales and purchase ledger function are also provided by the system.

#### **3.3 System Access**

**3.3.1** Entry into PSF, is password restricted and The Chief Financial Officer is responsible for implementing a system which ensures that passwords are controlled effectively to give access to relevant financial staff.

**3.3.2** Access to the component parts of PSF are restricted to The Chief Financial and Operating Officer who are responsible for setting access levels for all members of staff using the system. The Chief Financial and Operating Officer may delegate this responsibility with the approval of the Audit Committee.

#### **3.4 Back-up Procedures**

**3.4.1** The Chief Financial and Operating Officer is responsible for ensuring that there are effective back up procedures for the system. Data is stored on the cloud by PSF so back-ups are managed remotely by the supplier with due regard to the relevant legislation regarding Data Protection.

**3.4.2** The Chief Financial and Operating Officer should also prepare a disaster recovery plan in the event of loss of accounting facilities or financial data at Academies. This should link in with the annual assessment made by Board of Trustees of the major risks to which the academy is exposed and the systems that have been put in place to mitigate those risks. PSF Accounting is accessible via the internet so is very robust in this respect.

#### **3.5 Transaction Processing**

**3.5.1** All supporting documents for journal entries must be stored electronically and will be available for scrutiny by both the Internal Auditors and External auditors. Workflow processes mean that transactions will be authorised by the relevant individuals as defined by the scheme of delegation of the Epworth Education Trust.

**3.5.2** Bank payments should be input by the Finance Department and the input should be checked by authorised Lloyds online banking approvers at the time of approving payment. Approvers are limited to the CEO, CFO, COO and Director of Education, and at least two of them must approve each payment.

**3.5.3** Detailed information on the operation of the Financial Information System can be found in the user manuals and internet guides held in the Finance Department. A procedures manual will be available for key transactions that are



used by finance staff in academies.

### **3.6 Reconciliations**

3.6.1 The Finance Department is responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are explained:

- General Annual Grant and other grant reconciliation
- Pay reconciliation
- sales ledger control account
- purchase ledger control account
- payroll control account
- purchasing card account
- petty cash control account
- bank balance per the nominal ledger to the bank statement.

3.7 Any unusual or long outstanding reconciling items must be brought to the attention of The Chief Financial Officer. The person responsible for finance at each academy and The Chief Financial and Operating Officer will review and sign all reconciliations as evidence of their review.

## **4 Financial Planning**

4.1 The academy prepares both medium term and annual financial plans.

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

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

4.4 The Trust strategy planning process and the budgetary process are described in more detail below.

### **4.5 Development Plan**

4.5.1 The Trust strategy is concerned with the future aims and objectives of the Academy Trust and how they are to be achieved; that includes matching the academy Trust's objectives and targets to the resources expected to be available. They are the strategy within which more detailed plans may be integrated.

4.5.2 The form and content of the Trust strategy are matters for the trust to decide but due regard should be given to the matters included within the guidance to academies and any annual guidance issued by the DfE.

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4.5.3 The timetable will specify the deadlines for the completion of each of the key stages described above. Lead responsibility for the completion of each of the

stages will be assigned by the Accounting Officer.

- 4.5.4 The completed Trust strategy will include detailed objectives for the coming academic year and outline objectives for the following two years. The plan should also include the estimated resource costs, both capital and revenue, associated with each objective and success criteria against which achievement can be measured.
- 4.5.5 For each objective the lead responsibility for ensuring progress is made towards the objective will be assigned to a named individual. The responsible person should monitor performance against the defined success criteria throughout the year and report to the senior management team on a defined basis. The Chief Financial Officer and Accounting Officer will report to the Board of Trustees on a regular basis in order to assess progress against the plan.

## **4.6 Annual Budget**

- 4.6.1 The Chief Financial Officer is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the Accounting Officer, Finance committee and ultimately the Board of Trustees.
- 4.6.2 Academies should work in liaison with the Local advisory board in order to propose a budget for approval by the Board of Trustees.
- 4.6.3 The approved budget must be submitted to the DfE by the deadline specified in the Academy Trust Handbook and The Chief Financial Officer is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.
- 4.6.4 The annual budget will reflect the best estimate of the resources available to the academy 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.
- 4.6.5 The budgetary planning process will incorporate the following elements:
- forecasts of the likely number of pupils to estimate the amount of DfE grant receivable;
  - review of other income sources available to the academy to assess likely level of receipts;
  - review of past performance against budgets to promote an understanding of the academy cost base;
  - identification of potential efficiency savings
  - review of the main expenditure headings in light of the Trust Development plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes.
  - Carry forward of any surplus or deficit from prior financial years

## **4.7 Balancing the Budget**

- 4.7.1 Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, plans must be discussed to assess how the budget can be brought into balance. If exceptional circumstances mean that an Academy within the Trust proposes a deficit budget for the forthcoming year, then this must be agreed by the Board of

Trustees and a deficit recovery plan must be submitted alongside the annual budget to ensure the financial sustainability of the Academy in the longer term (a maximum of 3 years).

#### **4.8 Finalising the Budget**

- 4.8.1 Once the different options and scenarios have been considered, a draft budget should be prepared by Academies and Local advisory boards and passed to the Chief Financial Officer for approval by the Accounting Officer, the Finance committee and the Board of Trustees. The budget should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.
- 4.8.2 The budget will remain fixed for the course of the year. Regular monitoring and review will take place in order to assess how actual and forecast expenditure compares with the original budget.

#### **4.9 Monitoring and Review**

- 4.9.1 Monthly management accounts reports, balance sheet and cashflow will be prepared by the person responsible for Finance at each academy and Chief Financial Officer. The reports will detail actual income and expenditure against budget and forecast for the full year.
- 4.9.2 Detailed forecasting of any variances to budget will be conducted on a minimum of a termly basis and more regularly at the request of the Board of Trustees, The Accounting officer or the Chief Financial Officer.
- 4.9.3 The monitoring process should be effective and timely in highlighting variances in the budget so that differences can be investigated and action taken where appropriate. If a budget overspend is forecast then corrective action or authority for such an overspend should be granted in line with the scheme of

delegation.

## **5 Income**

**5.1** The main sources of income for the academy are the grants from the DfE, via the Education and Skills Funding Agency. The receipt of these sums is monitored directly by the person responsible for Finances at each Academy who are responsible for ensuring that all grants due to the academy are collected.

**5.2** All income generated by the Academy Trust must be done so with the correct treatment of VAT when sales invoices are issued. Further guidance on this will be issued from time to time by the Chief Financial Officer in order to ensure all Academies are compliant with Trust policy and the relevant legislation.

**5.3** The academy also obtains income from:

- Local Authority for High Needs, LAC and other grants
- Income for Early Years provision from the Local Authority
- Income for provision of services relating to the Startwell centre
- Donations from parents and the general public
- students, mainly for trips and
- the public, mainly for lettings.

**5.4** Payment terms and credit control

**5.4.1** The Trust's standard payment terms are 30 days. Invoices should state clearly the payments terms and the methods by which debtors can make payment.

**5.4.2** Invoices should be issued as soon immediately upon use of the facility, or on an agreed pattern for long term use, reflecting the need of the Trust to maintain healthy cashflows.

**5.4.3** Each Academy is responsible for implementation of appropriate credit control procedures which ensure that monies due to the academy/school are collected in a timely manner, with any overdue debt being highlighted to the Headteacher and Chief Financial Officer on a monthly basis.

**5.5** Trips

**5.5.1** A lead member of staff must be appointed for each trip to take responsibility for the collection of sums due. The lead member of staff must liaise with the relevant academy staff to ensure that all income from pupils and parents is recorded appropriately. A copy of the record must be given to the Finance Department.

**5.5.2** Students should make payments in line with the arrangements laid out by each academy (i.e. via Parent Pay). A receipt must be issued for all monies collected and the value of the receipt and the number of the receipt recorded against the student making the payment (this may be done electronically).

**5.5.3** The Academy should maintain an up to date record for each student showing the amount paid and the amount outstanding. This record should be sent to the lead teacher on a regular basis and the lead teacher is responsible for chasing the outstanding amounts, with the assistance of the local finance and

administration teams.

## **5.6 Lettings**

- 5.6.1 The person responsible for Finance at each academy is responsible for maintaining records of bookings of sports facilities and for identifying the sums due from each organisation in liaison with other Academy staff. Payment profiles must be agreed in advance of the use of facilities and monitored regularly.
  - 5.6.2 Details of organisations using the facilities will be held by the Academy who will establish a sales ledger account and produce a sales invoice from the Financial Information accounting system.
  - 5.6.3 No debts should be written off without reference to the Chief Finance Officer
  - 5.6.4 Organisations using the facilities should submit evidence of insurances to the Academy in advance of the use of the facilities.
- 5.7** Official, pre-numbered Academy receipts should be issued for all cash and cheques received where no other formal documentation exists. All cash and cheques must be kept in the Finance Department safe prior to banking. Banking should take place every week or more frequently if the sums collected exceed the insurance limit on the Finance Department safe.
- 5.8** Monies collected must be banked in their entirety in the appropriate bank account. The Finance Department is responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system. The reconciliations must be prepared promptly after each banking and must be reviewed and certified by the person responsible for Finance at each academy and Headteacher.

# **6 Cash Management**

## **6.1 Bank Accounts**

- 6.1.1 The opening of all accounts must be authorised by the Board of Trustees. The operation of systems such as Bankers Automatic Clearing System (BACS) and other means of electronic transfer of funds must also be subject to the same level of control.

## **6.2 Bank deposits**

- 6.2.1 Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include:
  - the amount of the deposit and
  - a reference, such as the number of the receipt or the name of the debtor.
- 6.2.2 All entries will be recorded and reconciled on /PSF Accounting and reconciled regularly with the bank statement, as described in these Financial Regulations.

### **6.3 Bank payments and withdrawals**

- 6.3.1 All BACS payments and other instruments authorising withdrawal from academy bank accounts must bear the signatures of two authorised signatories, as agreed by the Board of Trustees.
- 6.3.2 This provision applies to all accounts, public or private, operated by or on behalf of the Board of Trustees of the Academy Trust.

### **6.4 Bank administration**

- 6.4.1 The Central Finance team must ensure bank statements are received regularly and that reconciliations are performed at least on a monthly basis. Reconciliation procedures must ensure that:
  - 6.4.2 all bank accounts are reconciled to the Academy's cash book;
  - 6.4.3 reconciliations are prepared by the central finance team;
  - 6.4.4 reconciliations are subject to an independent monthly review carried out by The Chief Financial Officer
  - 6.4.5 adjustments arising are dealt with promptly.

### **6.5 Petty Cash Accounts**

- 6.5.1 The academy maintains a cash balance as authorised by the Chief Financial Officer. The cash is administered by the Finance Department and is kept in the office safe.
- 6.5.2 The only deposits to petty cash should be from cheques cashed specifically for the purpose. The receipt should be recorded in the petty cash system with the date, amount and a reference, normally the cheque number, relating to the payment. All other cash receipts for whatever reason should be paid directly into the bank.
- 6.5.3 In the interests of security, petty cash payments will be limited to an amount agreed with the Chief Financial Officer for each Academy. Higher value payments should be made by BACS directly from the main bank account as a cash book payment.
- 6.5.4 In the long term the Academy Trust will seek to remove the need for petty cash in the Trust in order to reduce costs associated with cash handling and to reduce risk to staff.
- 6.5.5 The Finance Department is responsible for entering all transactions into the petty cash records on a regular basis as well as unannounced cash counts should be undertaken by the Finance Department to ensure that the cash balance reconciles to supporting documentation.
- 6.5.6 Petty cash should be held in a locking cash box which is put in the safe

overnight.

## **6.6 Purchasing card Transactions**

- 6.6.1 Each Academy within the trust will have a purchasing card that will allow transactions for relatively low expenditure items without the need to set up a supplier account.
- 6.6.2 Each academy will have one card and use will be controlled by the person responsible for Finance and Headteacher. There will be appropriate separation of responsibilities to ensure that no-one can raise and authorise transactions.
- 6.6.3 Cards will have a maximum amount of expenditure per month and this will be approved by the Chief Financial Officer.
- 6.6.4 A monthly reconciliation of expenditure shall be undertaken by the person responsible for Finance at each academy, including all VAT receipts by purchase, and this shall be signed off by the Head teacher and available for the review of the Chief Financial Officer, Internal and external Auditors.

## **6.7 Cash Flow Forecasts**

- 6.7.1 The person responsible for Finance at each Academy and the Chief Financial Officer (for the Trust) are responsible for preparing cash flow forecasts to ensure that the academy has sufficient funds available to pay for day to day operations. If significant balances can be foreseen, steps should be taken to invest the excess funds. Similarly plans should be made to transfer funds from another bank account or to re-profile Income and Expenditure to cover potential cash shortages.

## **6.8 Investments**

- 6.8.1 Investments must be made only in accordance with written procedures approved by the Board of Trustees in the Investments policy. After conversion, and before the investment policy is approved all funds will be held in the main bank accounts of the Trust.
- 6.8.2 All investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

# **7 Fixed assets**

## **7.1 Asset register**

- 7.1.1 All items purchased with a value over the academy's capitalisation limit of £1,000 must be entered in an asset register. The asset register should include

the following information:

- asset description
- date of acquisition
- asset cost
- expected useful economic life
- depreciation
- current book value

7.1.2 The Asset Register helps:

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

## **7.2 Disposals**

7.2.1 Items which are to be disposed of by sale or destruction must be authorised for disposal by The Chief Financial Officer and, where significant, should be sold following competitive tender. The academy must seek the approval of the DfE in writing if it proposes to dispose of an asset for which capital grant in excess of the limit in the Academy Trust Handbook.

7.2.2 Disposal of equipment to staff is not allowed outside of normal disposal arrangements, as it may be more difficult to evidence the academy obtained value for money in any sale or scrapping of equipment. In addition, there are complications with the disposal of computer equipment, as the academy would need to ensure licences for software programmes have been legally transferred to a new owner.

7.2.3 The academy is expected to reinvest the proceeds from all asset sales for which capital grant was paid in other academy assets. If the sale proceeds are not reinvested then the academy must repay to the DfE a proportion of the sale proceeds.

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

## **7.3 Loan of Assets**

7.3.1 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.

7.3.2 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 academy's auditors.

## **8 Payroll**

### **8.1 Payroll provider**

- 8.1.1 The payroll software provision for the Epworth Education Trust is currently operated by Edupay. Edupay assist each academy in preparing their monthly payroll for staff.
- 8.1.2 The Finance Department assists HR (with support from Edupay) to operate this service, including administration services to ensure all required returns are delivered to external agencies including the HMRC, the local government pension scheme and the Teachers Pension Scheme
- 8.1.3 All users of the Edupay system will be authorised by HR in conjunction with the Chief Financial Officer and this will be limited to key staff in each academy that are responsible for processing or authorising payroll transactions. This will normally be the business manager or Finance & Hr Business Partner for processing and the headteacher for authorising
- 8.1.4 All staff responsible for processing will be given training in the system through Edupay training courses (and support email and helpdesk) as well as by the HR Officer.
- 8.1.5 The contract for payroll will be kept under review to ensure that the best value for money service is provided.

### **8.2 Payroll processing**

- 8.2.1 The HR Officer is responsible for oversight of payroll processing on a monthly basis for the Trust
- 8.2.2 The Chief Financial and Operating Officer alongside the Chief Operating Officer are responsible for ensuring that payments are processed and that they are duly authorised and reconciled before payment is made to staff and other agencies in receipt of payments from payroll processing (e.g. HMRC and pension schemes)
- 8.2.3 The HR Officer will set a timeline for payroll processing each month that will be distributed to academies to ensure that all actions are taken on good time and that all staff understand payroll cut off dates for overtime and other amendments
- 8.2.4 Business managers and Finance & Hr Business Partners will be responsible for inputting any starters, leavers and amendments to the payroll system for their academy and liaising with the HR Officer to ensure that information is entered correctly. The headteacher will be responsible for authorising any changes and reviewing a monthly report with such changes highlighted. Any

changes will be noted and reasons added to Edupay.

## **9 Insurance**

### **9.1 Provision of insurance**

9.1.1 The Epworth Education Trust has opted in to the Risk Protection Agreement provided by the Government that provides insurance across a wide range of areas. This is a cost effective scheme and is widely used by academy trusts.

9.1.2 The areas covered are;

- Material damage
- Business Interruption
- Employers Liability
- Third party public liability
- Governors Liability
- Professional indemnity
- Employee and Third Party Dishonesty
- Money
- Personal Accident
- Travel
- Legal Expenses
- Cybersecurity

9.1.3 Areas that are not covered under this arrangement, such as Occasional Business Use for Motor Vehicles (specific to some academies in the Trust) will

be provided separately with due regard to securing best value for money.

## **10 VAT**

- 10.1** The Trust is not registered for VAT as it does not generate sufficient income from business activity to justify this status.
- 10.2** This status will be kept under review by the Chief Financial Officer in order to ensure that the trust is operating its processes in line with the relevant VAT guidance from the HMRC.
- 10.3** As a result of this VAT status the Trust is permitted to claim back input VAT charged through the VAT 126 form.
- 10.4** The Chief Financial Officer will make the claim for VAT under the process outlined in 10.3 and ensure that this is transferred as appropriate to the bank account of the relevant academy.
- 10.5** The Chief Financial Officer will keep appropriate records and reconciliations (sourced from the accounting system) in order to ensure that upon inspection the validity of these VAT claims can be verified

## **11 Procurement**

- 11.1** The Trust wants to achieve “Best Value” from all of its purchases. Best Value in this context means getting what is needed in the correct quantity, quality and time at the best price possible whilst putting existing resources to the most appropriate and effective use. Although price is not always the overriding factor in deciding which suppliers to use it is an important one. A large proportion of purchases which the Trust will make will be paid for with public funds and they will maintain the integrity of these funds by following the general principles of probity, accountability and fairness.
- 11.2** The Trust will obtain the ESFA’s approval for transactions beyond delegated authority limits in the current Academy Trust Handbook.
- 11.3** The Trust must seek the ESFA’s prior approval for all novel, contentious and/or repercussive related party transactions or contracts regardless of value in line with the guidance from the current Academies Trust handbook.

### **Purchasing Limits and Authorisations (over the full length of the contract)**

#### **Orders up to £2,500:**

Reasonable steps will be taken to ensure value for money bearing in mind, price, discounts, quality, delivery guarantee, after sales service etc. Orders up to £2.500 to be placed securing value for money and using a preferred supplier wherever possible evidence value for money is continuously being obtained.

Headteacher (or a designated member of SLT) can authorise and should advise budget holders if an order does not seem to represent best value; and can also assist with procurement.

**Orders from £2,500 to £12,500:**

Reasonable steps will be taken to ensure value for money bearing in mind, price, discounts, quality, delivery guarantee, after sales service etc. Orders up to £12,500 to be placed securing value for money.

Where possible 3 quotes must be sought to show and evidence value for money is continuously being obtained.

Headteacher to authorise order to ensure best value and budget monitoring

SBM should advise budget holders if an order does not seem to represent best value and to assist in getting quotes.

**Orders from £12,501 to 50k:**

Must be authorised by the Trust Exec Team (CEO or CFOO)

5 quotations must be sought where possible (minimum 3). Tenders

can also be sought if it is thought better value for money would be

obtained. If a quotation other than the lowest is accepted the reasons for this are reported to the Finance Committee

**Orders over £50k:**

5 tenders/quotes (minimum 3) are sought if the Academy enters into a contract for the supply of goods or services involving total payments of £50,000 or more. The Finance Committee approval is required for orders of an individual item exceeding £50K.

Supply, Services and design contracts over the value specified by EU procurement rules which require advertising in Free to Tender (FTS), until UK legislation requires otherwise.

Where appropriate the Trust will try to use a Procurement Framework. Examples of Procurement Frameworks are Crescent Purchasing Consortium, YPO framework, Crown Commercial Services, Everything ICT. If used, the tendering process is not required as the framework as already carried this out.

## 12 Purchasing

- 12.1** Budget holders will be informed of the budget available to them at the start of the academic year. It is the responsibility of the budget holder to manage the budget and to ensure that funds available are not overspent.

**12.2** Requisition/Purchase orders must be authorised by the appropriate level as above. Orders can be paper based or raised on Sage and authorised electronically. There is no requirement to add paper requisitions onto Sage. The nominal coding should be agreed with SLT so they are aware of the budget implications. From January 2023, electronic purchase orders on PSF should be raised instead of paper order forms. Electronic orders must be approved as per the procurement threshold limits.

**12.3** Outstanding orders need to be reviewed every month as part of the month end process. If cancelled, an explanation is recorded on the finance system or paper PO for audit purposes.

**12.4** Any annual Service Level Agreements must be recorded in the Contracts Register on Microsoft Teams and any contract information uploaded.

**12.5** Any new annual contract/SLA must be agreed by SLT and the first invoice signed before payment. In addition, if any of the following annual SLAs/contracts are due for renewal/need retendering, the central team should be informed:

- Photocopier
- Catering
- IT
- Utilities
- Telephone
- Sickness Insurance
- MIS provider
- Website provider
- Premises related eg. refuse, hygiene, alarms

The CFOO will review the contracts register regularly to ensure best value.

**12.6** An order can only be placed with a supplier once a purchase order has been raised and approved by the appropriate approvers as the procurement threshold limits. Exception to the rule is acceptable for the following items as long as an electronic purchase order is raised on PSF retrospectively at the earliest opportunity

- Training
- Trip/visitor
- Emergency Repairs

- Equipment services
- Annual SLAs
- Transport Requests
- Emergency orders
- Paper
- Annual Contracts
- Utility and other invoices as such e.g. copier, telephone
- Supply staff

**12.7** In most instances, where the price of the goods is known, an order with an estimated value must be raised. There must be corresponding evidence to back up the purchase – requisition order, trip/transport request, training request, supply staff request, email – these must be signed appropriately as per the authorisation levels outlined.

**12.8** Orders may not be raised on behalf of, or for the benefit of, private individuals or organisations.

**12.9** Schools must check all goods on receipt via the delivery note to ensure that the goods listed have been “received” and the delivery note checked by the checker. Any discrepancies, defects or deficiencies should be reported to the supplier and reported to the SBM, who must keep a record of all goods returned to suppliers or missing items. The delivery note should be checked against the invoice and then filed together electronically.

## **13 Monthly closedown procedure**

**13.1** The central finance team will carry out the monthly closedown procedures.

**13.2** The CFO is responsible for ensuring the monthly closedown procedures are carried out in a timely manner.

**13.3** The CFO must review and authorise the monthly reports and file them for the internal and external audit.

**13.4** The monthly closedown procedure should include, but is not limited to the following:

13.4.1 Bank reconciliation

- Electronic bank files are imported into PSF twice a month

- Bank reconciliation is carried out by posting transactions onto PSF to match against the banking window
- Bank reconciliation reports are produced for each bank account and filed after approval by either CFO or CEO

#### 13.4.2 Fixed asset register

- Fixed asset register is updated and reconciled against the trial balance
- Depreciation is calculated and posted onto PSF on a monthly basis

#### 13.4.3 Month end journals

- Accruals, prepayments, accrued and deferred income are calculated and posted onto PSF on a monthly basis
- Top slice and other recurring monthly recharge journals must be posted onto PSF
- Payroll journals must be posted onto PSF

#### 13.4.4 Aged debtors and creditors reports

- Aged debtors and creditors reports must be produced from the PSF reporting suite
- Any balances over 90 days old must be investigated and compared against previous month
- Any negative balances should be investigated and corrective action must be taken
- Aged debtors and creditors report must be reviewed and approved by the CFO or CEO

#### 13.4.5 Period closure

- Once all the above processes have been completed, the period must be closed for further postings.

#### 13.4.6 Forecast review

- The year to date income and expenditure should be compared against the current forecast.
- Where there are variances, further investigation needs to be carried out along with the SBMs and Headteachers.
- If the YTD variances indicate a likely change in full year forecast, IMP needs to be updated.

#### 13.4.7 Monthly management accounts pack

- Monthly and year to date income and expenditure needs to be entered into the management accounts template
- The most up to date forecast also needs to be imported into the template
- Commentary should be added to highlight variances against the full year approved budget.
- Cashflow forecast must be updated as per the actuals to date and current forecast
- A balance sheet report must be produced from PSF reporting suite

- Monthly management accounts pack including management accounts, Cashflow forecast and balance sheet should be emailed to the CEO for review and approval
- Once approved by the CEO, the monthly management accounts pack should be emailed over to Chairs of the Board and Finance and Audit Committee by no later than the last day of the following month.
- The management accounts pack should also be upload onto Governor Hub for the rest of the trustees to review.

#### 13.4.8 Control accounts

- Following the production and distribution of the management accounts, control accounts should be produced by the central finance team.
- The control accounts reconciliation will include the following:
  - 1) Balance sheet reconciliation
  - 2) Payroll reconciliation
  - 3) Income reconciliation
  - 4) Trial balance review