



The Collegiate Trust  
Exceptional Education for All

## **FINANCIAL POLICY & PROCEDURES**

Lead

CFO

Approved by TCT

January 2022

Next Review

Autumn 2022

# FINANCIAL PROCEDURES

Throughout the Financial Policy and Procedures, a necessary feature stated and implemented is the segregation of duties between the CEO and CFO. The segregation of these two postholders must be adhered to and maintained in all functions and processes.

## 1. Introduction

*The Collegiate Trust* is a partnership of schools in Crawley and Croydon whose purpose is to build *collaboration to deliver exceptional education*, and whose vision is *exceptional education for all*. This is reflected in our Trust's values: **ambition & collaboration**, as well as in our desired outcomes: **achievement & enjoyment**. This policy provides a key mechanism that informs our wider *Trust Improvement Strategy*.

### 1.1 Purpose

These *Financial Procedures* define a framework of accountability for staff, Directors and Governors, outlining responsibility within day-to-day financial management. It is essential that internal systems operate effectively to meet ESFA requirements and it is vital that all the financial procedures are clear, precise and inform those involved in the financial aspects of running the establishment; what is expected of them, thus reducing the risk of procedures not being implemented effectively.

### 1.2 Legal and Statutory Framework

The policy has due regard to legislation and statutory guidance, including but not limited to the following:

- The Employment Relations Act 1999
- Companies Act 2006
- The Equality Act 2010
- Current ESFA Academies Trust Handbook

### 1.3 Links to other Policies

This policy operates in conjunction with the following Trust policies:

- Salary Policy – review for existing conflicts
- Reserves Policy – review for existing conflicts
- Expenses Policy – review for existing conflicts
- Fraud Policy – review for existing conflicts
- Central Funds and Recharges Policy – review for existing conflicts
- ARFC Terms of Reference – review for existing conflicts

## 2. Roles, Responsibilities & Delegation

| Role    | Notes  | Key Responsibilities  |
|---------|--|---|
| Members | Five Members, none of whom are employees of the Trust. The Chair of the Board of Directors shall be appointed as a Member. | <ul style="list-style-type: none"><li>• Appointing or removing the Trust's auditors and receiving the audited annual accounts</li><li>• Conducting the business of the Trust in accordance with company and charity law – delegated to the Board of Directors</li><li>• Appointing six Directors, one of whom will be the CEO</li><li>• Evaluating the performance of the Board of Directors in carrying out its responsibilities</li></ul> |

|           |   |   |
|-----------|---|---|
| Directors | Nine Directors, one of whom shall be the CEO. | <ul style="list-style-type: none"> <li>• Conducting the business of the Trust in accordance with company and charity law – as delegated by the Members</li> <li>• Co-opting three Directors to ensure a balance of skills and knowledge on the Board</li> <li>• Overseeing the financial performance of the Trust and ensuring that all funds are used in line with the Trust’s funding agreement and the <i>Academies Trust Handbook</i></li> <li>• Overseeing the educational standards of the Trust, in line with the expectations of the DFE, RSC and OFSTED</li> <li>• Ensure that the Trust’s practices reflect the seven principles of public life</li> <li>• Approve the annual budget for the whole Trust</li> <li>• Ensure that all assets are effectively managed</li> <li>• Appoint all sub committees and approve terms of reference</li> <li>• Appoint the CEO who will also be the Accounting Officer</li> <li>• To ensure the Trust have effective financial procedures in place</li> </ul> |
| CEO       | As <i>Accounting Officer</i>                  | <p>With regard to fraud, to ensure:</p> <ul style="list-style-type: none"> <li>• Internal controls are in place to minimise the risk of fraud</li> <li>• Effective mechanisms are in place to report instances of fraud</li> <li>• Vigorous and prompt investigations are carried out when required</li> <li>• Appropriate legal and /or disciplinary action, including the involvement of the Police where appropriate</li> <li>• Steps are taken to ensure that the threat of similar future frauds is minimised</li> <li>• Appropriate measures are taken to ensure the return of assets and to minimise the loss</li> <li>• Informing the ESFA where there has been a breach in the articles of association, funding agreement of the <i>Academies Trust Handbook</i></li> </ul>  |
| CFO       |   | <ul style="list-style-type: none"> <li>• Lead on the Trust’s strategic financial activity within the framework for financial control determined by the Board</li> <li>• Ensure that all financial matters overseen at Trust level are managed effectively</li> <li>• Ensure that all financial matters delegated to academies are monitored effectively</li> <li>• Ensure that effective financial procedures are in place</li> </ul>   |

|                        |  |   |
|------------------------|--|---|
|                        |  | <ul style="list-style-type: none"> <li>• Ensure that all statutory returns are made in line with ESFA deadlines</li> <li>• Liaise with Principals regarding financial matters in their school</li> <li>• Preparation of monthly management accounts</li> <li>• Main point of contact for external auditors, through which any communication should be passed</li> <li>• Management of the finance team</li> </ul>   |
| COO                    |  | <ul style="list-style-type: none"> <li>• To oversee all aspects of legal advice to the Trust</li> <li>• To maintain an up to date Asset Register</li> <li>• To oversee all aspects of HR work</li> <li>• To oversee all aspects of Governance</li> <li>• To manage the Trust's capital investment</li> <li>• To oversee all aspects of H&amp;S work across the trust</li> <li>• To oversee all premises and property developments</li> </ul>  |
| Internal Audit         |  | <p>To provide the Board with assurance that:</p> <ul style="list-style-type: none"> <li>• The financial responsibilities of the Academy Trust are being properly discharged;</li> <li>• Resources are being managed in an efficient, economical and effective manner;</li> <li>• Sound systems of internal financial and non-financial control are being maintained;</li> <li>• All categories of risk are being adequately identified, reported and managed.</li> <li>• The conflict of interest existing between the CEO and CFO is being effectively managed.</li> </ul> |
| External Audit         |  | <p>To provide the board with assurance that:</p> <ul style="list-style-type: none"> <li>• That the financial statements present a true and fair view of the trust's financial performance and are free from error in their opinion;</li> <li>• Conduct a regularity audit on the financial statements and report accordingly;</li> <li>• Provide a management letter detailing any concerns raised in the audit.</li> </ul>   |
| Local Governing Bodies |  | <ul style="list-style-type: none"> <li>• To implement the Board's <i>Scheme of Delegation</i> for administering the school</li> </ul>   |
| Principal              |  | <ul style="list-style-type: none"> <li>• To implement the Board's <i>Scheme of Delegation</i> for administering the school</li> </ul>   |

### 3. Accounting System - Expectations & Controls

3.1 All colleagues with financial responsibility must act with regard to best value, demonstrating: **probity** (no related party transaction, no private gain, no favouritism, no corruption); **accountability** (for expenditure and the conduct of the Trust's affairs); **value for money** (economy, efficiency and effectiveness).

3.2 The Trust utilises the SAGE financial system for all aspects of financial management; all transactions are recorded on this system. Entry to the system is password restricted and the Finance Manager is responsible for implementing a system which ensures that passwords are changed within regular intervals (at least every 6 months). Access to the component parts of the accounting system can also be

restricted and the Finance Manager is responsible for setting access levels for all members of staff using the system.

3.3 Except where there are good reasons to the contrary, contracts must be placed on a competitive basis, the lowest tender or price to be accepted; where a different decision is taken the reasons for it must be documented.

3.4 Contracts should also be reviewed and re-negotiated at regular intervals where appropriate. Where appropriate the Trust will enter into an Operating Lease. All leases must be approved by the CFO. The Trust will also consider the awarding of contracts through Central Government agreed Framework Agreements.

### **3.5 Purchasing**

**3.5.1** All purchasing must be conducted through the SAGE system. Official Purchase Orders are completed on Sage and authorised by the budget holder. It is the budget holder's responsibility to ensure that they have sufficient budgetary provision and that best value is achieved. This produces both a commitment against the department cost code and the official order for e-mail, fax or posting. If an order exceeds the budget, the purchase order is returned to the budget holder who can discuss the potential overspend with the CFO. Orders are sequentially numbered by the accounting system.

**3.5.2** Purchases over the internet should only be used where the goods or services cannot be effectively or economically obtained via traditional methods and where best value is being achieved. (The cost of P&P and any returns needs to be taken into account; as well as to ensure goods are purchased in the establishment name, not a named private individual, which is important for warranty purposes).

**3.5.3** If purchasing goods or services using the internet, it will be from secure sites (those displaying "https" at the start and displaying a padlock symbol). When orders are placed over the internet, an order confirmation will usually be displayed or an email received together with the method of payment. This evidence must be printed off and kept with the authorisation to purchase (along with all transaction documentation and associated emails). Procedures on receipt and payment of goods and services from the internet will remain the same as per traditional methods, e.g. authorisation from budget holders. Some smaller traders may use third party payment agents, e.g. PayPal who are unable to issue VAT receipts or invoices, therefore best value must be considered.

**3.5.4** Where it is necessary to purchase items using petty cash the budget holder must authorise expenditure. All petty cash claims should be processed through the Finance Team on the appropriate claim form and authorised by the Budget Holder. The petty cash limit has been set at £100. This limit will be reviewed on an annual basis.

**3.5.5** The Trust has also entered into an agreement for the supply of fuel cards for each vehicle in use across the Trust. Receipts must be obtained when using the card and submitted to the Finance Team in a timely manner to ensure that all accounts can be reconciled.

3.5.6 Purchases or expense claims made by the CEO or CFO must be authorised by the COO.

### **3.6 Receipt of Goods & Payment**

3.6.1 Goods are then delivered to the budget holder who checks the quality and quantity of the goods against the order placed – discrepancies are reported to the finance team immediately so that the supplier can be contacted and invoices can be placed in dispute as appropriate.

3.6.2 Invoices are passed to the finance team and are stamped with an invoice certification grid, which determines if the invoice has been checked for accuracy of:-

- A valid invoice/VAT invoice as appropriate.
- Mathematical accuracy if handwritten.
- Matched and checked to an outstanding order if appropriate and referenced back to the order if not detailed on the invoice.
- Indications of it being a copy and not an original.

Payments shall normally be made against original invoices, not delivery notes, statements, faxes or reminders provided by suppliers.

### 3.6.3 Payments are usually made by bank transfer.

- Any blank pre-printed cheques and cheque books are kept in the safe and no pre-signed cheques are ever held.
- The Finance Manager decides which creditors should be paid based on the due dates with regard to maximising the establishment's cash flow.
- When creating a BACS run, the Finance Manager / Assistant produces a proposed cheque run report. Electronic remittance advices are then produced and emailed to the payee.
- The cheque and remittance advice detailing invoices paid are sent to the supplier and invoice/cheque advice slips are filed in cheque number order, latest number at the top.
- This procedure clearly evidences there are no missing cheques in the system.
- Any manually completed cheque payments follow the same procedure, except at the manual cheque writing stage, the signed cheque is photocopied and filed in a "manual cheque payments" folder, in sequential order, latest cheque number at the top.
- Cancelled or spoilt cheques must be retained and filed in sequential order, clearly marked across the face as "CANCELLED"
- Invoices paid by BACS are annotated with the date of the BACS run and filed alphabetically by supplier name, most recent invoice on top.
- The authorisation grid details purchase order references where appropriate.
- It is considered best practice not to keep purchase order documentation alongside cheque/invoice documentation in case of loss.
- Reconciliations detail the reconciliation date, accounting system balance, and any variations to the accounting system figures before arriving at the statement balance. (Items of variation might be payments made to supplier but not received, or invoices issued by supplier, not registered in the system).

### 3.6.4 Non-order invoices are checked by the Finance Team to ensure that they are reasonable and the exact same procedures are adhered to, for processing order invoices. Non-order invoices usually relate to telephone orders (only made in emergencies and kept to a minimum); examples include: inspection copies of books; catering invoices; supply teacher invoices; or recurring charges such as utility bills.

### 3.6.5 Direct Debits will save both staff time and the cost of cheque stationery if used for regular payments for services; provided these services are secure (i.e. rates, leases etc.) and that:

- The finance team record each Direct Debit set up, listing payment details, dates and length to run etc. in a register.
- VAT can only be re-claimed, provided the supplier submits a VAT statement.
- The finance team must reconcile Direct Debits regularly.
- The team must be aware of Direct Debit payments due when assessing the available balance for other payments.

3.6.6 It is sometimes necessary to purchase items for the Trust for which it is not possible to place an order, await delivery and pay an invoice; for example, catering supplies for general use which are more easily and cheaply purchased at local supermarkets or special offers on books and resources available online from non-educational suppliers. Each School has been issued with a charge card in the name of the Principal, the cards have the following credit limit;

|                  |        |
|------------------|--------|
| Primary School   | £1,500 |
| Secondary School | £3,000 |
| Central Trust    | £3,000 |

In addition, the CEO, COO and CFO have a debit card.

- The cards are only to be used by the named holder or by another budget holder and then under the supervision of the named holder
- A full VAT receipt must be acquired for all Debit and Charge Card purchases
- The budget holder must sign for all purchases made using a card for which they have responsibility
- Any loss of a card must immediately be reported to the COO or CFO
- The cards must not be used for any personal or private purchases. Such use will be deemed gross misconduct and dealt with accordingly under the *Staff Disciplinary Procedure*
- It is the responsibility of each card holder to ensure that these procedures are complied with
- The termination of any cards will be reported at the next *Audit & Finance Committee* meeting.

#### 4. Levels of Financial Authority

| Value of Contract / Purchase (£) | Control            | Instruction  |
|----------------------------------|--------------------|--|
| 1 – 999                          | Budget holder      | Discretion   |
| 1,000 – 14,999                   | Principal          | Discretion   |
| 15,000 – 34,999                  | Principal          | Approval of CFO  |
| 35,000 – 74,999                  | COO                | 3 written quotes - leases/capital items<br>Approval of CFO |
| 75,000 – 174,999                 | CEO                | Competitive Tender   |
| 175,000+                         | Board of Directors | Competitive Tender   |

#### 5. Payments to Staff

##### 5.1 Payroll

The main elements of the payroll system are:

- Staff appointments
- Payroll administration
- Payments

5.1.1 The Principal has the authority to appoint staff within their authorised establishment and according to the *Staff Salary Policy*. The HR Manager will maintain personnel files for all members of staff, which include copies of signed contracts of employment and appropriate records of safeguarding checks, although not DBS certificates. The DBS certificate number should be recorded on the single central register. All personnel changes must be notified, in writing, to the CFO to enable budget monitoring of the Salaries budgets. All changes should also be notified to the Finance Manager via a Notification to Payroll form in good time for implementation in the next payroll run.

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

- 5.1.3 After the payroll has been processed, but before payments are dispatched, a print-out of salary payments by individual and showing the amount payable in total will be obtained from the system. The print-out must be reviewed by each Principal, authorised and sent back to the Finance Manager to process. All salary payments are made by electronic transfer.
- 5.1.4 The Finance Manager will undertake a monthly reconciliation of current month's and previous month's gross salary and investigate any variances.
- 5.1.5 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 gross to net pay print; the Trust will make monthly BACS payments from the Trust bank account to the relevant pension agencies (TPS and LGPS) on 7<sup>th</sup> of each month and to HM Revenue & Customs on 22<sup>nd</sup> of following month.
- 5.1.6 After the payroll has been processed the nominal ledger will be automatically updated. Postings will be made both to the payroll control account and to individual cost centres. The CFO will review the payroll control account each month to ensure the correct amount has been posted from the payroll system, individual cost centres have been correctly updated and to identify any amounts posted to the suspense account.

## **5.2 Payments to individuals**

- 5.2.1 All payments to employed staff, including expenses must go through payroll to ensure the HMRC legislation is complied with. Self-employed people who can prove that they are registered with HMRC are excluded and can be paid direct.
- 5.2.2 Self-employed individuals must sign a declaration agreeing that they will declare all payments to HMRC on an annual basis through their tax returns. The declaration should include their full name, NI number, address, their unique tax reference (UTR) and a brief description of the work they have been commissioned for.

## **6. Bank accounts**

- 6.1 The Trust has established robust controls for the operation of bank accounts incorporating the following control features:-
- The opening and closing of bank accounts are authorised by the CFO
  - The CFO directs the arrangements for the operation of the accounts including any transfers between accounts
  - There are five authorised signatories. (CEO, COO, CFO, PA to the CEO and the Director of Education)
  - Two authorised signatories are required for all withdrawals and payments made from bank accounts. This must not include a combination of signatures from the CEO and CFO.
  - All cheques are crossed "account payee only"
  - Cheques are not be pre-signed
  - Unused cheque books are retained securely
  - Bank reconciliations are performed monthly from bank statements to accounting records and any reconciling items should be resolved.
  - Bank reconciliations are reviewed and countersigned by the CFO

## **7. Insurance**

The Trust bought into the *Risk Protection Arrangement* cover directly with ESFA and buys additional cover as needed.

## 8. Income

The *Finance Manager* shall ensure that all income is accurately accounted for, promptly collected and banked intact.

## 9. Fixed Assets

The Trust will maintain an asset register of all equipment costing over £1,000. The register will assist the Trust to;

- help external auditors to identify additions and disposals during the financial year
- to manage the effective utilisation of assets and to plan for their replacement
- enable independent checks on the safe custody of assets

Disposal of assets by sale or destruction must be authorised by the COO and communicated to the CFO.

## 10. Risk Management

The Trust maintains a central *Risk Register* which is regularly reviewed by the ARFC.

## 11. Budgeting

11.1 The Trust prepares three-year budgets. The budget is prepared as part of the development planning process indicating how the Trust's educational and other objectives will be achieved within the expected level of resources available.

11.2 The budgetary planning process has four phases and will follow the timescale below:

- Phase 0 – budget monitoring and regular discussion with Principals – all year
- Phase 1 – benchmarking, investigations and conversations with Principals and LGB addressing anomaly areas – December to March
- Phase 2 – review of Trust's strategic plan and alignment with budgets – December to March
- Phase 3 – preparation of three-year budgets and review by ARFC before approval by Directors. Distribution of agreed budgets to Principals – July

11.3 The budgetary planning process will incorporate the following elements:

- Forecasts of the likely number of pupils to estimate the amount of grant receivable.
- Review of other income sources available to assess likely level of receipts.
- Review of past performance against budgets to promote an understanding of the establishment cost base.
- Identification of potential efficiency savings; and
- A 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.

11.4 The completed budget is presented to the ARFC and then to the full Trust Board for approval.

11.5 When the budget has been fixed for the financial year, the Principal has the authority to spend within the agreed budget.

11.6 All virements are approved by the CFO.

## 12. Budget Monitoring

| <b>Financial Document</b>    | <b>Oversight</b>   | <b>Frequency</b>                           |
|------------------------------|--|--|
| Management Accounts          | Principals<br>Chair of LBG<br>Chair of Board<br>Full Trust Board | Monthly<br>Monthly<br>Monthly<br>Quarterly |
| Audited Financial Statements | ARFC<br>Full Trust Board   | Annually<br>Annually                       |
| Internal Audit Report        | ARFC<br>Full Trust Board   | Annually<br>Annually                       |
| Capital Plan                 | ARFC   | Standing Item                              |
| Trading Company Accounts     | ARFC   | Standing Item                              |

Monthly management accounts include:

- Executive Summary
- Commentary on performance
- Individual school and central trust income and expenditure statements
- Variance Analysis and Key Performance Indicators
- Balance Sheet
- Cashflow Statement
- Transactions over £15,000

### **13. VAT and other Taxes**

- 13.1** The Trust is registered for VAT (Registration Number 136320051) at present, but this will be kept under review. Claims are made for business related expenditure on-line quarterly to HMRC.
- 13.2** Staff are not allowed to make purchases through the system to avoid payment of VAT.
- 13.3** VAT returns are administered by the CFO who has responsibility of ensuring full compliance with the regulations.

### **14. Depreciation**

- 14.1** The Trust will depreciate fixed assets in line with recognised accounting standards, academy best practice and EFA guidelines. Depreciation rules were approved by Directors in advance of preparing the annual accounts in the first year of operation. Any revisions thereafter have been approved by the Trust Board.
- 14.2** Depreciation is provided for at the following annual rates in order to write off each asset over its estimated useful life.
- Fixtures, fittings and equipment on 20% straight line basis
  - ICT Equipment on 25% straight line basis
  - Motor vehicles on 25% reducing balance basis
  - Plant and machinery on 20% reducing balance basis
  - Freehold Buildings on 2% straight line basis
  - Leasehold Buildings over 50 years straight line basis
  - Land not depreciated

### **15. Bad debt**

The Trust will pursue all its debtors until all outstanding monies are paid in full. Advance payments may be sought in order to minimise the risk of bad debts occurring. From time to time money owed to the Trust will not be paid over by the debtor resulting in 'bad debts'. The Principal has delegated authority to decide to whether to write off such 'bad debts' but only once a series of requests for payment have been made. Checks

will be carried out on a regular basis of all monies owed to the Trust to ensure regular payments are being made. Bad debts to be written off will be detailed on a termly basis and sums above £100 will then be reported to the Audit Committee for their approval. A record will be kept on file of all bad debtors. The Trust shall not enter into any new arrangements with debtors who have a historical debt with the Trust (unless the debt is cleared beforehand).

#### **16. Unserviceable, surplus/ obsolete equipment**

- 16.1** The amount at which an item should be recorded on the inventory will be set at £1,000.
- 16.2** Unserviceable equipment not of sufficient value to be recorded on the inventory may be written off at the discretion of the Chief Operating Officer (COO). Staff should seek the approval of the COO before disposing of any surplus equipment in this category.
- 16.3** For items recorded on the inventory no item should be disposed of or removed from the inventory records without the initial authorisation of the COO.
- 16.4** The sale of any surplus or damaged equipment shall be such as to ensure maximum income to the Trust. All such sales will be reported to the Audit Committee and minuted accordingly.
- 16.5** The method of disposal of any surplus, damaged or obsolete equipment shall be delegated to the COO and reported retrospectively to the Audit Committee and minuted accordingly. In such circumstances unserviceable or scrap items may at the COO's discretion, be broken down and disposed of in the most appropriate manner and in accordance with any legal requirements.

#### **17. Missing equipment**

If after all attempts to locate missing equipment have been made, then authority to write off the item will be delegated to the COO. All items written off which have a value of £1,000 or greater will be reported to the Finance Committee at the next available opportunity. The inventory record will be updated on a timely basis to reflect the reason for write off and dated accordingly.

#### **Retention of Records**

- 1. A full inventory shall be updated and reported to Audit Committee on an annual basis.
- 2. Checks shall be carried out by the COO (at least once per year) to verify inventory items.
- 3. The inventory will be updated regularly to show removals /additions of new stock.