

INTERNAL FINANCIAL REGULATIONS MANUAL

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This document should be read in conjunction with:

- Scheme of Delegation
- Master Funding Agreements
- Supplemental Funding Agreements

1. Introduction

- 1.1 The purpose of this manual is to ensure that the PAT 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 Department for Education (DfE).
- 1.2 The PAT must comply with the principles of financial control outlined in the academies guidance published by the DfE. This manual expands on that and provides detailed information on the PAT's accounting procedures and system manual should be read by all staff involved with financial systems.
- 1.3 Compliance with this manual is mandatory and any contravention of procedures must be brought to the attention, in the first instance, of the Headteachers and / or Chief Operations Officer.
- 1.4 All staff, who deal with financial matters, are trained in the appropriate procedures and records are kept of this training. All the duties of staff with financial responsibilities are recorded and a note kept of who can carry out the various duties in the absence of these key members of staff.

- 1.5 All staff are aware of the PAT's Whistleblowing Policy and to whom they should report any concerns regarding malpractice and wrongdoing. Any suspected financial irregularity will be reported to the DfE.
- 1.6 The Directors annually review all controls and procedures of financial systems operating within the individual schools. A self- assessment of the financial administration and management within the schools is carried out at all levels by the Accounting Officer, Headteachers, Chief Operations Officer and the Local Governing Bodies which then report to the PAT via the PAT's Chief Operations Officer.

2. Organisation

This document outlines the responsibilities of the PAT. The individual academies' LGBs will adhere to the regulations outlined

- 2.1 The PAT has defined the responsibilities of each person involved in the administration of academy finances to avoid the duplication or omission of functions and to provide a framework of accountability for the Directors as Trustees, members of the Local Governing Bodies and staff. The financial reporting structure is illustrated below:

The Local Governing Bodies of the PAT

2.2

The PAT has the overall responsibility for the administration of the schools' finances. The main responsibilities of the PAT are prescribed in the Funding Agreement between the PAT and the DfE and in the PAT's scheme of delegation.

The Local Governing Bodies of the PAT have responsibility for the administration of the schools' finances.

The main responsibilities include:

- ensuring that any grants from the DfE is used only for the purposes intended;
- ensuring that funds from sponsors are received according to the PAT's Funding Agreement, and are used only for the purposes intended;
- approval of the annual budget;

- appointment of the Headteachers and deputies.

The Headteachers

2.3 Within the framework of the academy development plan as approved by the PAT, the Headteachers have overall executive responsibility for the academy's activities including financial activities. Much of the financial responsibility has been delegated to the Chief Operations Officer, but the Headteachers still retain responsibility for:

- approving new staff appointments within the authorised establishment, except for any senior staff posts which the PAT has agreed should be approved by them;
- authorising contracts under £10,000 in conjunction with the Chief Operations Officer
- signing cheques in conjunction with the Chief Operations Officer .

The Chief Operations Officer

2.4 The Chief Operations Officer works in close collaboration with the Headteachers through whom he or she is responsible to the PAT. The Chief Operations Officer also has direct access to the PAT. The main responsibilities of the Chief Operations Officer are:

- the day to day management of financial issues including the establishment and operation of a suitable accounting system;
- the management of the academy financial position at a strategic and operational level within the framework for financial control determined by the PAT;
- the maintenance of effective systems of internal control;
- ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of the academy;
- the preparation of monthly management accounts;
- authorising orders up to £10,000 in conjunction with budget holders
- signing cheques in conjunction with the Headteachers or other authorised signatory and
- ensuring forms and returns are sent to the DfE in line with the timetable in

the DfE guidance.

The Responsible Officer

- 2.5 The Responsible Officer (RO) is appointed by the PAT and provides directors with an independent oversight of the academy's financial affairs. The main duties of the RO are to provide the PAT with independent assurance that:
- the financial responsibilities of the PAT 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.
- 2.6 The Responsible Officer will undertake a review a minimum of once a year to ensure that financial transactions have been properly processed and that controls are operating as laid down by the PAT. A report of the findings from each visit will be presented to the Trust board. Detailed guidance on the transactions in Appendix A of the DfE Guidance, and this may involve target specific areas rather than general sampling.

Other Staff

- 2.7 Other members of staff, primarily the Chief Operations Officer, the Headteachers, the Finance Teams within individual schools and budget holders, will have some financial responsibilities and these are detailed in the following sections of this manual. All staff are responsible for the security of academy property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the academy's financial procedures.

Register of Interests

- 2.8 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 PAT members and directors and staff with significant financial or spending powers are required to declare any financial interests they have in companies or individuals from whom the academy may purchase goods or services. The register is open to public inspection
- 2.9 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 PAT. 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 director or a member of staff by that person.

- 2.10 The existence of a register of business interests does not, of course, detract from the duties of governors and staff to declare interests whenever they are relevant to matters being discussed by the PAT or LGB meeting. Where an interest has been declared, governors and staff should not attend that part of the meeting.

3. Accounting system

- 3.1 The PAT is registered annually under the 1988 Data Protection Act. The registration will require a single data Controller to be named and the named Data Controller in the school will be the Headteacher in conjunction with Richard Maskrey of School Consulting Limited.
- 3.2 All the financial transactions of the academy must be recorded on the PS Financials (PSF) accounting system operated by the individual schools' finance teams
- 3.3 Financial records are required to be kept for at least six years. This is a requirement laid down by Her Majesty's Revenue and Customs (HMRC).

System Access

- 3.4 The PSF accounting system is protected by access permissions to authorised staff. Access permissions should be strictly controlled and individual log-ins and passwords should not be compromised.
- 3.5 Access to PSF should be restricted and the Chief Operations Officer, or deputy, is responsible for determining the access levels for all members of staff using the system.
- 3.6 All leavers with previous access to PSF must have their access permissions formally removed.

Back-Up Procedures

- 3.7 The Chief Operations Officer is responsible for ensuring that there are effective back up procedures for the system. PSF is "cloud" based and has a secure backup procedure in place.
- 3.8 The Chief Operations Officer should also prepare a disaster recovery plan in the event of loss of accounting facilities or financial data. This should link in with the annual assessment made by Directors of the major risks to which the academy is exposed and the systems that have been put in place to mitigate those risks.

Transaction Processing

- 3.9 All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are included in the following sections of the manual.

A single Bank Reconciliation is carried out reconciling both schools in the process to the main bank account. The Finance Officer within individual schools ensure income and expenditure is input into the system and a report is printed off which is checked alongside the bank statement, ensuring both the system and bank balance. The report is then signed by the Chief Operations Officer and Accounting Officer to evidence this check.

Transactions Reports

- 3.10 The Chief Operations Officer will obtain and review system reports to ensure that only regular transactions are posted to the accounting system. The reports obtained and reviewed will include:

- payroll reports;
- management accounts summarising expenditure and income against budget at budget holder level.

Reconciliations

- 3.11 The Chief Operations Officer has the delegated responsibility for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:

- sales ledger control account;
- purchase ledger control account;
- payroll control account;
- VAT
- bank balance per the nominal ledger to the bank statement.

- 3.12 Any unusual or long outstanding reconciling items must be brought to the attention of the Headteachers. In this instance, the Chief Operations Officer and Headteacher/s will review and sign all reconciliations as evidence of the review.

4. Financial planning

- 4.1 Both Fitzwaryn and Kingfisher schools prepare both medium term and short-term financial plans which are amalgamated in to one budget for submission to the ESFA.
- 4.2 The medium term financial plan is prepared as part of the strategic planning process. The strategic plan indicates how the academy's educational and other objectives are going to be achieved within the expected level of resources over the next three years.
- 4.3 The PAT's strategic plan 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 PAT'S strategic planning process and the budgetary process are described in more detail below.

The PAT'S Strategic Plan

- 4.5 The strategic plan is concerned with the future aims and objectives of the PAT and how they are to be achieved; that includes matching the academy's objectives and targets to the resources expected to be available. Plans should be kept relatively simple and flexible. They are the "big picture" within which more detailed plans may be integrated.
- 4.6 The form and content of the strategic plan are matters for the academy 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.
- 4.7 Each year the Headteachers in conjunction with Chief Operations Officer will propose a planning cycle and timetable to the PAT which allows for:
- a review of past activities, aims and objectives - "did we get it right?"
 - definition or redefinition of aims and objectives – "are the aims still relevant?"
 - development of the plan and associated budgets – "how do we go forward?"

- implementation, monitoring and review of the plan – “who needs to do what by when to make the plan work and keep it on course” and
 - feedback into the next planning cycle – “what worked successfully and how can we improve?”
- 4.8 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 Headteachers.
- 4.9 The completed strategic plan 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.
- 4.10 For each objective the lead responsibility for ensuring progress is made towards the objective will be outlined by the Headteachers.

PAT's Annual Budget

- 4.11 The Headteachers in conjunction with the Chief Operations Officer are responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the Headteachers, LGB, and the PAT Board of Directors.
- 4.12 The approved budget must be submitted to the DfE by 31st July each year and the Chief Operations Officer is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.
- 4.13 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 strategic plan objectives and the budgeted utilisation of resources.
- 4.14 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 strategic plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes and
- liaising with external agencies including major suppliers to ensure that the school's best financial interests are met.

Balancing the Budget

4.15 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.

Finalising the PAT's Budget

1. Headteachers present their draft budget to the LGB to secure approval with any recommendations - process is formally recorded
2. When this is secured, the budgets are taken to the PAT Board of Directors with any recommendations, for final approval - process is formally recorded
3. Chief Operations Officer is then given permission to submit the budgets to the EFA

The budget should be seen as a working document which may need revising throughout the year as circumstances change.

Monitoring and Review

- 4.16 Budget monitoring reports have been developed in which variances are highlighted for discussion. Monthly reports will be prepared by the Chief Operations Officer for discussion with the Headteachers. Detailed budget monitoring will be prepared termly. The reports will detail actual income and expenditure against budget both for budget holders and at a summary level.
- 4.17 Any potential overspend against the budget must in the first instance be discussed with the Headteachers

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 overspends its forecast, it may be appropriate to vire money from another budget or from the contingency. All budget virements must be

authorised by the Chief Operations Officer.

5. Payroll

5.1 The main elements of the payroll system are:

- staff appointments;
- payroll administration and
- payments.

Staff Appointments

Please refer to the PAT's Scheme of Delegation

- 5.2 The PAT has approved a personnel establishment for the academy. Changes can only be made to this establishment with the express approval in the first instance of the Directors and Chief Operations Officer who must ensure that adequate budgetary provision exists for any establishment changes.
- 5.3 The Headteachers are responsible for ensuring that the Trust's pay policy is implemented.
- 5.4 The Headteachers are responsible for ensuring that the statutory obligations around the safe recruitment policy and procedures are administered and the Chief Operations Officer will be responsible for maintaining accurate records of all staff employed by the school in a single central record.
- 5.5 Personnel information is held in manual files under the guidance of the Headteachers with access strictly limited to authorised officials only and separately on the MIS and payroll portal computer systems, for which relevant registration under the 1998 Data Protection Act is held.

Payroll Administration

- 5.6 As of the 1st September 2018 the PAT payroll will be administered by Access following the merger with Selima.
- 5.7 Amendments to payroll data e.g. appointments, resignations, pay changes will be authorised by the Headteachers or Chief Operations Officer.
- 5.8 Staff complete the normal overtime and expense claim which is signed off by either the Headteachers, Deputy Heads or the Chief Operations Officer.
- 5.9 The Admin Officers will ensure that staff absence is entered daily and kept up to date. A monthly staff return which provides details for all staff in the section of sickness and other absences during the month and any new

appointments or terminations will be available to the Chief Operations Officer.

Payments

5.10 All staff are paid monthly by bank credit transfer to their bank accounts.

5.11 The Access payroll system automatically calculates the deductions due from payroll to comply with legislation. The major deductions are for tax, National Insurance contributions and pensions. The amounts paid are summarised on the PSF payroll reports.

5.12 The Chief Operations Officer should undertake a monthly reconciliation between the current month's actual expenditure and the budgeted payroll costs. Any variations should be investigated and reported to the Headteachers and queries raised immediately with Access. The reconciliation should be signed by both the Headteachers and the Chief Operations Officer to verify the accuracy of the payments made.

6. Purchasing

6.1 The PAT wants to achieve the best value for money from all our purchases. This means they want to get what they need in the correct quality, quantity and time at the best price possible. A large proportion of their purchases will be paid for with public funds and they 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.

Schools will further improve performance by applying the further principles of Best Value known familiarly as the Four Cs:

Challenge - why, how and by whom an activity is carried out;

Compare - performance against other schools and between parts of each school;

Consult - involving stakeholders, especially pupils and parents;

Compete - as a means of securing efficient and effective services.

Routine Purchasing

6.2 Curriculum leads are requested to submit a budget bid for their curriculum area which will inform the budget. Each bid should detail clear links to the

school development plan in terms of objectives and strategy for school improvement, targets on an annual and longer term basis and success criteria. On a successful bid, the curriculum lead will be informed of the budget available to them at least one month before the start of the academic year. The Headteachers act as the budget holder for all cost centres and monitor actual expenditure against budget via the budget monitoring reports. Detailed expenditure reports will be available on request. Any order which has the potential to cause an overspend will be scrutinised by the Chief Operations Officer and Headteacher.

- 6.3 All purchases are required to be authorised by the Headteachers or Chief Operations Officer. In the first instance, a supplier should be chosen from the list of approved suppliers maintained by the Chief Operations Officer. A clear price or quotation when appropriate 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 the Chief Operations Officer.
- 6.4 All orders for goods and services must be confirmed in writing using an official requisition form and authorised unless exceptional circumstances dictate otherwise, however the Chief Operations Officer must be informed of such orders before they are placed. Orders under £10000 must bear the signature of the Chief Operations Officer or Headteacher or Deputy Head of the relevant school and orders over £10000 must bear the signature of the Headteacher and the Chief Operations Officer. The PAT accept in some circumstances non order invoices will occur.
- 6.5 Individually numbered purchase orders will be produced from the PSF accounting computer records and will be approved by nominated PSF approvers before dispatch to suppliers.
- 6.6 The PAT has 5 authorised PSF users. When an order is authorised by the Headteacher or the Chief Operations Officer it is then added to the PSF system and authorised by a Finance Officer. Non-order invoices cannot be paid unless authorised by the Headteacher or Chief Operations Officer.
- 6.7 The schools' Finance teams must make appropriate arrangements for the delivery of goods and services to the academy. On receipt of goods and services there must be a detailed check of the goods and services received against the PSF purchase order (or equivalent in exceptional circumstances) and delivery note. Where delivery notes are not produced then the receipt of goods and services should be recorded on the order form. All discrepancies should be discussed with the supplier of the goods and services without delay. The delivery note should be checked and signed and dated by the person checking.
- 6.8 All invoices should be sent to the appropriate school Finance Officer to be checked to the PSF numbered order (or equivalent in exceptional circumstances) and the delivery note to evidence the following:

- invoice arithmetically correct;
- goods/services received;
- goods/services as ordered and
- prices correct.

6.9 Non order invoices will be authorised for payment by the Headteachers or Chief Operations Officer and then passed to the Finance Officer for recording and payment through PSF. Invoices generated from an already authorised purchase order do not require further approval and are processed within PSF. On release of an invoice, the person authorising the invoice will date and sign the invoice in the stamped authorisation box.

Orders over £5,000 but less than £25,000

6.10 At least three written quotations should be obtained for all orders between £5000 and £25,000 to identify the best source of the goods/services. Written details of quotations obtained should be prepared and retained by budget holders for audit purposes. Telephone quotes are acceptable if these are evidenced. On occasions owing to the specialist nature of goods it may not be possible to source 3 quotes and in this instance the Chief Operations Officer will authorise the order from the Headteacher for orders under £10K and from the PAT Finance & Resources Committee for orders above £10K.

Orders over £25,000

6.11 All goods/services ordered with a value over £59,000, or for a series of contracts which in total exceed £50,000 must be subject to formal tendering or supply chain frame process procedure if appropriate and where a tender is not carried out, 3 quotes must be obtained or an exception authorisation obtained from the PAT Finance & Resources Committee to place the order at the same time confirming why 3 quotes have not been obtained. Purchases fall under EU procurement rules which require advertising in the Official Journal of the European Union. Guidance on the OJEU thresholds is given in Annex 3d to the Academies Financial Handbook.

Forms of Tenders

6.12 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. Following discussion amongst the Headteacher and the Chief Operations Officer, a decision will be made as to how best to proceed and it may be that following the success of the payroll procurement, seeking an academy wide procurement opportunity to secure best value may also be investigated, rather than advertising for suppliers as an individual academy 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

6.13 Full consideration should be given to:

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

6.14 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 fulfillment of these requirements to help reach an overall decision.

6.15 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.

6.16 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 and
- form of response.

Aspects to Consider

Financial

- Like should be compared with like and if a lower price means a reduced service or lower quality this must be borne in mind when reaching a decision;
- Care should be taken to ensure that the tender price is the total price and that there are no hidden or extra costs;
- Is there scope for negotiation?

Technical/Suitability

- Qualifications of the contractor;
- Relevant experience of the contractor;
- Descriptions of technical and service facilities;
- Certificates of quality/conformity with standards including a minimum of £5 million public liability;
- Quality control procedures;
- Details of previous sales and references from past customers.

Other Considerations

- Pre sales demonstrations;
- After sales service;
- Financial status of supplier. Suppliers in financial difficulty may have problems completing contracts and in the provision of after sales service. It may be appropriate to have an accountant or similarly qualified person

examine audited accounts etc.

Tender Acceptance Procedures

6.17 The invitation to tender should state the date and time by which the completed tender document should be received by the academy. Tenders should be 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 should not normally be accepted.

Tendering Opening Procedures

6.18 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 between £10000 - £25000 - the Chief Operations Officer and the Headteacher/s;
- For contracts over £50,000 - the Chief Operations Officer, Chair of LGB and the Headteacher/s, plus a member of the PAT.

6.19 A separate record should be established to record the names of the firms submitting tenders and the amount tendered. This record must be signed by both people present at the tender opening.

Tendering Procedures

6.20 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.

6.21 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.

6.22 Full records should be kept of all criteria used for evaluation and for all contracts and a report should be prepared for the LGB highlighting the relevant issues and recommendations which will then be reported to the PAT Finance.

6.23 Where required by the conditions attached to a specific grant from the DfE, the department's approval must be obtained before the acceptance of a tender.

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

Procurement Cards

- 6.25 The PAT will be responsible for approving the use of procurement cards with the named cardholder in school. The Admin Officer for Fitzwaryn and the Site Manager for Kingfisher will hold the procurement cards for the school and is able to purchase goods for their school. The cards will be stored in the schools safe.
- 6.26 The cards should be held securely at all times and any loss of cards should be reported immediately. Both the cardholder and the Headteachers are jointly liable for the integrity of all transactions and proper and controlled use of the procurement card. All receipts must be produced and reconciled monthly to the monthly statement by the Finance Officers and reviewed and signed off by either of the Headteachers. The monthly spending limit for each school is £3000. In the event of exceptional circumstances when a higher limit is required, the Chief Operations Officer will notify the bank in writing and inform the relevant Headteacher.

7. Income

- 7.1 The main sources of income for the academy are the grants from the DfE and from our sponsors. The receipt of these sums is monitored directly by the Chief Operations Officer who is responsible for ensuring that all grants due to the academy are collected.
- 7.2 The academy also obtains income from:
- student teachers from universities and other institutions;
 - hiring of premises and facilities;
 - school meal sales;
 - students, mainly for trips
 - bank credit interest
 - sponsorships and donations
- 7.3 Charges can also be made to pupils to defray the costs of certain activities. The "Charging Policy" set outs these details.
- 7.4 Certain curriculum departments generate some income through entrepreneurial activities. Such charges should be made in accordance with the Charging Policy
- 7.5 Premises hire charges are determined by the PAT policy on premises hire. In exceptional circumstances, charges are determined at the discretion of either the Headteachers or the Chief Operations Officer.

- 7.6 Bookings for lettings are made through the schools' finance teams who will produce a list of hirers and invoices together with a completed booking form.
- 7.7 Payments for invoices raised manually and issued by the academy are sent directly to the academy and will be recorded as academy income into the lettings budget cost centre within the PSF accounting system and manual receipts are issued.
- 7.8 All monies must be banked in their entirety in the appropriate bank account. The finance team 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 Chief Operations Officer in the bank reconciliation.
- 7.9 All outstanding invoices should be reviewed each month by the Chief Operations Officer and pursued by the finance team to ensure that the academies receive all monies due.
- 7.10 No debts should be written off without the express approval of the PAT (the DfE's prior approval is also required if debts to be written off are above the value set out in the annual funding letter).

Custody

- 7.11 All cash and cheques must be held securely and with restrictive access to authorised officials prior to banking. Banking should take place frequently if the sums collected exceed the £1000 insurance limit on the individual school safe.

8. Cash Management

Bank Accounts

- 8.1 The opening of all accounts must be authorised by the PAT who must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. 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. Any supplier changing or amending bank or payment details should be telephoned to verify, following written receipt and recorded as complete.

Deposits

- 8.2 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.

Payments and withdrawals

- 8.3 All cheques and other instruments authorising withdrawal from PAT bank accounts must bear the signatures of two of the following authorised signatories:
- Headteachers;
 - Chief Operations Officer;
 - Deputy Headteachers;
- 8.4 This provision applies to all accounts, public or private, operated by or on behalf of the PAT of the academy. Authorised signatories may sign a cheque relating to goods or services for which they have also authorised the expenditure, but must have a second signatory who has not been involved in the the authorisation of the expenditure.

Administration

- 8.5 The Chief Operations Officer must ensure bank statements are received 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 Teams within individual schools;
 - reconciliations are subject to an independent monthly review carried out by the Chief Operations Officer.

Petty Cash Accounts are not used across the PAT

- 8.6 Cooking and shopping curriculum are required to submit an annual budget bid detailing their weekly cash requirements. This cash will be prepared and the lead member of staff will sign for the money and return any change together with receipts to the Finance Officer. With a sound budget plan and the availability of the procurement card to buy goods, staff should rarely need to buy unplanned goods requiring reimbursement, therefore the use of petty cash in the traditional context is unnecessary.

Deposits

- 8.7 The only deposits to petty cash should be from cheques cashed specifically for

the purpose an example being the purchase of coins for handling of money as a numeracy resource. 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.

Payments and withdrawals

- 8.8 In the interests of security, petty cash payments will be made by cheque directly from the main bank account or via payroll.

Administration

- 8.9 Expenditure is processed into the PSF accounting system against the appropriate cost centre.
- 8.10 The Finance Teams are responsible for entering all transactions into the bank credit book on a regular basis and regular as well as unannounced cash counts should be undertaken by the Chief Operations Officer to ensure that the cash balance reconciles to supporting documentation and the computer balance.
- 8.11 The Chief Operations Officer should review and countersign the cash reconciliations.

Physical Security

- 8.12 Cash must be securely held at all times with access strictly limited to authorised officials only.

Cash Flow Forecasts

- 8.13 The Chief Operations Officer is 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 extra funds. Similarly plans should be made to transfer funds from another bank account or to re-profile to cover potential cash shortages.

Investments

- 8.14 Investments must be made only in accordance with written procedures approved by the PAT.
- 8.15 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.

9. Fixed Assets

Asset register

9.1 All tangible fixed assets items purchased with a value over the academy's capitalisation limit of £2000 must be entered in an asset register. The asset register should include the following information:

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

9.2 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
- support insurance claims in the event of fire, theft, vandalism or other disasters.

Accounting for Fixed Assets

9.3 Academy trusts should determine appropriate depreciation rates, based on the assessment of the useful economic life and expected residual

value when the assets are acquired. Depreciation will be charged annually using the following straight line percentages:

- Freehold buildings 2%
- Leasehold land & buildings 2%
- Furniture & equipment 20% over 5 years
- Computer equipment & software 33%
- Motor Vehicles £20% between 5 – 10 years

Security of Assets

- 9.4 Stores and equipment must be secured by means of physical and other security devices. Only authorised staff may access the stores.
- 9.5 All the items in the register should be permanently and visibly marked as the academy's property and there should be a regular (at least annual) count by someone other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to the PAT. Inventories of academy property should be kept up to date and reviewed regularly. Where items are used by the academy but do not belong to it this should be noted.
- 9.6 The immediate responsibility for the safeguarding of equipment lies with the end user departments; in support of this the academy provides security measures, including caretaker cover, burglar alarm systems, inventories, security marking, maintenance and support agreements where appropriate, and insurance cover.

Disposals

- 9.7 Items which are to be disposed of by sale or destruction must be authorised for disposal by the Chief Operations 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 £20,000 was paid.
- 9.8 Disposal of equipment to staff is not encouraged, 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.
- 9.9 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.

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

Loan of Assets

9.11 Items of property belonging to each school must not be removed from the schools' premises without the authority of the Headteachers or Chief Operations Officer. A record of the loan must be recorded in a loan book and booked back in to the schools when it is returned.

9.12 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.

10. Insurance

10.1 The PAT has taken up the EFA Risk Protection Agreement which covers:

- Buildings and Contents;
- Employers and Public Liability.

Additional Insurance is procured for Motor Vehicle and Engineering

10.2 All risks will be reviewed annually to ensure that the cover is adequate.

10.3 All contractors must have public liability of a minimum of £5million insurance before they are allowed to undertake work on school premises.

10.4 People hiring the school premises and using facilities should either be covered by the school's insurance at an additional cost or must produce a valid public liability insurance with indemnity up to £5,000,000.

11. Leasing

Schools may only enter into OPERATING leases and in general the lease period should not exceed 3 years unless in exceptional circumstances and following advice of Procurement and the legal team. Under the School Standards and Framework Act 1998, Schedule 10 Part 3, schools are only permitted to borrow with the written permission of the Secretary of State. Finance leases are borrowing. It is therefore illegal for schools to enter a Finance Lease without written permission of the Secretary of State. Whilst it is possible to apply to the DfE for such permission,

advice is that such permission is very unlikely to be given. Schools therefore need to take extra care in selecting a lease.

As Headteacher, it is your responsibility to ensure that all new leases are sent to the Chief Operations Officer to be evaluated. You must not enter a lease until you have confirmation that the lease is an operating lease and not a finance lease. In addition you must complete the annual year-end lease return requested by the external auditors. Leases can sometimes be hidden within other contracts. If you enter into a contract that involves the use of an asset you must inform and consult your finance contact.

Schools should note that instalments of leases **MUST NOT** be paid from Devolved Formula Capital grant under the terms of the grant.

Operating Leases

A lease is unlikely to be classified as an operating lease if it includes any of the following:

Classification of Leases per International Accounting Standard IAS 17

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. All other leases are classified as operating leases. Classification is made at the inception of the lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form. Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised
- the lease term is for the major part of the economic life of the asset, even if title is not transferred
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset
- the lease assets are of a specialised nature such that only the lessee can use them without major modifications being made

Other situations that might also lead to classification as a finance lease are:

- if the lessee is entitled to cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee
- gains or losses from fluctuations in the fair value of the residual fall to the lessee (for example, by means of a rebate of lease payments)
- the lessee has the ability to continue to lease for a secondary period at a rent that is substantially lower than market rent



Before entering into leasing agreements schools are strongly advised to seek the advice of the Procurement Team to ensure that the terms of the lease are reasonable and that the equipment (e.g. photocopier) cannot be leased more cheaply through the central arrangements. Advice on the determination of leases as either 'finance' or 'operating' may be obtained from the Schools Support Section finance officers.

Although schools may enter into operating leases for equipment they need to take into account the recurring commitments in future years. It is suggested that the approval of the PAT should be obtained before any operating lease is entered into and that the aggregate commitment of all operating leases is reported to the PAT when approval is being sought to any new operating lease.

Controls and procedures of the financial systems were approved 2020

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