

# FINANCIAL REGULATIONS & PROCEDURES 2022-24

*Potteries Educational Trust*



<b>Policy Family</b>	Finance
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<b>Responsible Manager</b>	Chief Financial Officer
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## Aim

The aim of this document is to ensure that the Potteries Educational Trust (PET) maintains and develops strong 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 agreements with the Department for Education (DfE) and the Education and Skills Funding Agency (ESFA).

## Scope

This policy applies to the Potteries Educational Trust, which includes a number of member and associate member organisations. Collectively, the member organisations within the Potteries Educational Trust are referred to as the Trust.

## Policy

### PART 1: POLICY

Each academy within the Trust must comply with the principles of financial control outlined in the academies guidance published by the ESFA across the academies Funding Agreements and the ESFA Academy Trust Handbook. This policy expands on those and provides detailed information on the accounting procedures and these financial regulations must be read by all staff involved with financial systems and copies made available as necessary. It also provides a standardised approach to all finance related tasks within the Trust and each of its academies.

Compliance with the policy is mandatory and any contravention of procedures must be brought to the attention, in the first instance, of the Chief Financial Officer, who will duly notify the Chief Executive Officer (as Accounting Officer) and the Chair of the PET Finance and Resources Committee.

All staff, including the Chief Executive Officer, the Chief Financial Officer, Principals / Headteachers, Business / Finance Managers, Finance Officers and Financial Assistants, who deal with financial matters, are trained in the appropriate procedures.

All staff are made aware of the Trust's Whistleblowing policy and to whom they should report any concerns regarding malpractice and wrongdoing. Any suspected financial irregularity will be reported to the ESFA in line with the Academy Trust Handbook.

The Trust's Audit and Risk Committee will be responsible for reviewing all controls and procedures of financial systems operating within the Trust. A self-assessment of the financial administration and management within each academy is carried out at all levels by the Chief Executive Officer, Chief Financial Officer, Principals / Headteachers and the individual academy Local Governing Bodies.

## **ROLES AND RESPONSIBILITIES**

The main responsibilities of the Trust are prescribed in the Master and Supplementary Funding Agreements held with the ESFA. These funding agreements are also available on the Potteries Educational Trust website. The key responsibilities include:

- ensuring that grants from the ESFA are used only for the purposes intended
- approval of the annual budget
- setting a balanced budget from year to year
- production of an Annual Report and Financial Statements
- appointment of both internal and external auditors
- appointment of a Chief Executive Officer (as Accounting Officer)
- appointment of a Chief Financial Officer
- ensure regularity, propriety and value-for-money in relation to the management of public funds

Subject to provisions of the Companies Act 2006, the Articles and to any directions given by special resolution, the business of the Company will be managed by the trustees who may exercise all the powers of the company.

The Trust has defined the responsibilities of key committees and staff involved in the administration of academy finances to avoid the duplication or omission of functions and to provide a framework of accountability for trustees, governors and staff. The committees that have responsibilities relating to the academy trust finances are as follows:

- Trust Board
- Finance and Resources Committee
- Audit and Risk Committee
- Local Governing Body

The main responsibilities of these committees are set out in the Trust's scheme of delegation and terms of reference. Please see Part 2 of this policy starting from page 23 which provides a detailed financial scheme of delegation.

## **DELEGATED AUTHORITY TO THE TRUST**

The delegated authority over different categories of financial transactions is set out below from the ESFA:

## **LIABILITIES AND WRITE OFFS**

Academy Trusts may write off debts and losses, including any uncollected fines up to the following delegated limits, subject to a maximum of £250,000 as follows:

- 1% of total annual income or £45,000 (whichever is smaller) per single transaction
- cumulatively, 2.5% of total annual income in any one financial year per category of transaction for any academy trusts that have not submitted timely, unqualified financial returns for the previous two financial years. This category includes new academies that have not had the opportunity to produce two years of financial statements
- cumulatively, 5% of total annual income in any one financial year per category of transaction for any academy trusts that have submitted timely, unqualified financial returns for the previous two financial years

The Trust should always pursue recovery of amounts owed to it, overpayments, or payments made in error, irrespective of how they came to be made. The Trust should only consider writing-off losses after careful appraisal of the facts.

However, there will be both practical and legal limits to how cases should be handled.

The amounts for write-offs are before any successful claims from an insurer.

Beyond these limits the Trust must seek and obtain explicit and prior approval of the Secretary of State (through the ESFA) to the transaction.

## **SPECIAL PAYMENTS**

Certain transactions by public bodies may fall outside their usual planned range of activity and may exceed statutory and contractual obligations. HM Treasury calls these special payments and are subject to greater control than other payments. They include:

- staff severance payments
- compensation payments
- ex gratia payments

If the Trust is considering making a staff severance payment above the contractual entitlement, it must consider the following issues:

- that trustees reasonably consider the proposed payment to be in the interests of the Trust

- whether such a payment is justified, based on a legal assessment of the chances of the trustees successfully defending the case at an employment tribunal. If the legal assessment suggests a better than even chance of winning, there is no rationale for settling the case. But where the case will be lost, there is a justifiable rationale for the settlement
- if the settlement is justified, the trustees would then need to consider the level of settlement. This must be less than the legal assessment of what the relevant body (e.g. an Employment Tribunal) is likely to award in the circumstances

Special severance payments should not be made where they could be seen as a reward for failure, such as gross misconduct or poor performance. The only acceptable rationale in the case of gross misconduct would be where legal advice is that the claimant is likely to be successful in an employment tribunal claim because of employment law procedural errors. In the case of poor performance, an acceptable comparison would be the time and cost of taking someone through performance management and capability procedures.

If the Trust is considering making a compensation payment it must consider whether the proposed payment is based on a careful appraisal of the facts, including legal advice and that value for money will be achieved. It is also good practice to consider routinely whether particular cases reveal concerns about the soundness of the control systems; and whether they have been respected as expected. It is also important to take any necessary steps to put failings right.

Where the Trust is considering making a special staff severance payment or compensation payment above the contractual entitlement of £50,000 or more, prior approval will need to be sought from the ESFA, before any such payment can be made. The Trust in this situation should speak to their ESFA contact at the earliest opportunity to discuss as the ESFA will also need to refer such transactions to HM Treasury.

For the avoidance of doubt, the following examples illustrate where ESFA approval would be required:

- statutory/contractual payment of £50k + non statutory/non contractual payment £50k = ESFA approval not required
- statutory/contractual payment of £60k + non statutory/non contractual payment £30k = ESFA approval not required
- statutory/contractual payment of £30k + non statutory/non contractual payment enhancement of £50k = ESFA approval required for the £50k enhancement only
- statutory/contractual payment of £80k + non statutory/non contractual payment £50,000 = ESFA approval required for £50,000 enhancement only

## **ASSET SALES, LEASES AND TENANCY AGREEMENTS**

There are two types of lease, as defined under relevant financial reporting standards. There are finance leases (which are a form of borrowing) and there are operating leases (which do not involve borrowing). Trusts that are in any doubt as to whether or not any particular lease does or does not involve an element of borrowing should resolve the issue by contacting their external auditor.

Academy trusts must seek and obtain prior written approval from the ESFA, for the following leasing transactions:

- taking up a finance lease on any class of asset for any duration from another party, as this would represent borrowing
- taking up a leasehold or tenancy agreement on land or buildings from another party for a lease term of seven or more years
- granting a leasehold interest, including a tenancy agreement, of any duration, on land or buildings to another party

Academy trusts may take out and grant other types of lease (i.e. other than finance leases, leaseholds and tenancy agreements as described above), without ESFA approval. For the avoidance of doubt this means that operating leases on assets that are not land and buildings do not require ESFA approval. Leases should be disclosed in the Trusts' annual accounts in accordance with the ESFA guidance contained within the Academies Accounts Direction.

If an academy trust does wish to enter into a lease that requires ESFA consent, then the Trust will need to contact the ESFA in the first instance. Trusts must ensure that any lease arrangement maintains the principles of regularity, propriety and value for money, whether or not the approval of the ESFA is required.

## **REGISTER OF INTERESTS AND RELATED PARTIES**

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 members, trustees, governors and staff who can influence financial decisions, or spending powers, are required to declare any financial interests they have in companies or individuals from whom the Trust may purchase goods or services.

The register is open to public inspections and should include all business interests such as directorships, shareholdings or other appointments of influence within a business or organisation which may have dealings with the Trust and trusteeships and governorships at other educational institutions and charities. 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 member, trustee, governor or a member of staff by that person. Relationships with related parties will require high standards of accountability and transparency.

All relevant business and pecuniary interests of members, trustees, local governors of academies within the Potteries Educational Trust and senior employees must be published on the Trust's website.

The existence of a register of business interests does not, of course, detract from the duties of members, trustees, governors and staff to declare interests whenever they are relevant to matters being discussed by the Governing Body or a committee. Where an interest has been declared, members, trustees, governors and staff should withdraw from that part of any committee or other meeting.

## **PROCESS FOR INTERNAL REVIEW**

Every academy trust must have in place a process for independent checking of financial controls, systems, transactions and risks.

The Audit and Risk Committee for the Trust will undertake the process for independent checking of financial controls, systems, transactions and risks.

The committee will review the risks to internal financial control at the Trust and agree an annual programme of work that will address these risks, inform the statement of internal control and, so far as is possible, provide assurance to the external auditors.

This programme will be managed through one or more of the following options:

- the work of an internal audit service (either in-house, bought-in or provided by a sponsor)
- completing the work by peer review

## **INVESTIGATION OF FRAUD AND IRREGULARITY**

The personal responsibilities of the Accounting Officer responsibilities extend to the prevention of loss through fraud and irregularity. However, in addition to the Accounting Officer's responsibilities, the members and trustees are also responsible for preventing such losses of public funds, and this means that members, trustees and governors must be aware of the risk of fraud and irregularity to occur within their organisations and they must, as far as possible, address this risk in their internal control and assurance arrangements by putting in place proportionate controls. The Trust is also responsible for ensuring appropriate action is taken where fraud and irregularity is suspected or identified. The Fraud Policy in Appendix 3 outlines the procedures to be adopted in such an event.

All instances of fraud or theft committed against the Trust, whether by employees, governors, trustees or third parties, exceeding £5,000 individually, or £5,000 cumulatively in any financial year must be reported by the Trust to the ESFA. Any unusual or systematic fraud, regardless of value, must also be reported.

The ESFA reserves the right to conduct or commission its own investigation into actual or potential fraud, theft or irregularity in any academy either as the result of a formal notification from the Trust itself or as the result of other information received.

## **APPOINTMENT OF INTERNAL & EXTERNAL AUDITORS**

The Trust is required to submit the annual accounts following an annual external audit. This means that external auditors need to be appointed. The appointment should be for a three-year period renewable at the discretion of the Trust.

The auditors are required to give an opinion on whether:

- the financial statements have been prepared in accordance with the Financial Reporting and Annual Accounts Requirements issued by the ESFA

- proper accounting records have been kept by the Academy throughout the financial year
- grants made by the ESFA have been applied for the purposes intended

The Trust should arrange for on-going monitoring of the performance of the auditors to be undertaken by the Audit and Risk Committee.

## **ACCOUNTING SYSTEM**

The Trust is registered annually under the Data Protection Act. The registration will require a single data Controller to be named and the named Data Controller in the Potteries Educational Trust for the years 2020-22 will be Agile CLS.

All the financial transactions of the Trust must be recorded on the Access Education finance system operated in the PET Central Services office and the finance offices in each academy.

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**

The Access Education finance system is protected by access permissions to authorised staff. Access permissions are strictly controlled and individual log-ins and passwords should not be compromised. Access to this system should be restricted and the Chief Financial Officer is responsible for determining the access levels for all members of staff using the system.

All leavers with previous access to Access Education will have their access permissions formally removed by the system master users.

## **BACK-UP PROCEDURES**

The PET Data Manager is responsible for ensuring that there are effective back up procedures for the system. The Access Education finance system is operated through the Trust on a CLOUD based platform. Included with the CLOUD service are the following benefits:

- Double layer authentication to control initial access to the web based system and then to your dedicated service, ensuring only your users can access your data
- A dedicated server environment for your organisation without the use of shared databases

## **TRANSACTION PROCESSING**

All transactions input to the finance system must be authorised in accordance with the procedures specified in this document. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are included in the following sections of the policy. All journal entries must be documented in Access. Detailed information on the operation of the Access Education can be found

in the “help” section of the Access Portal or by using the Knowledgebase system provided with the software.

## **TRANSACTIONS REPORTS**

The Chief Financial Officer will obtain and review system reports to ensure that transactions are posted to the accounting system. The reports obtained and reviewed will include:

- monthly payroll reports
- monthly bank statement reconciliations
- monthly procurement card statements
- quarterly VAT returns
- monthly aged debtor and creditor reports
- management accounts summarising expenditure and income against budget

## **RECONCILIATIONS**

Business / Finance Managers at all trust academies are responsible for ensuring the following reconciliations are performed each month for the Trust, and that any reconciling or balancing amounts are cleared:

- Direct credit account and local expenditure account reconciliations
- procurement card statements
- individual salary payments
- overtime claims
- bank reconciliations
- Petty Cash

Any unusual or long outstanding reconciling items must be brought to the attention of the Chief Financial Officer.

## **FINANCIAL PLANNING**

The Trust prepares both short and long term financial plans.

The strategic development plans help to provide the framework for the annual budget. The budget is a detailed statement of the expected resources available to the Trust and the planned use of those resources for the following year.

The long term financial plan is prepared as part of the strategic planning process. The strategic development plan indicates how the Trust’s educational and other objectives are going to be achieved within the expected level of resources over the coming three to five years.

The strategic planning process and the budgetary process are described in more detail below.

## ANNUAL BUDGETS

Annual budgets will reflect the best estimate of the resources available to each academy for the forthcoming year and how those resources are to be utilised by each academy. There should be a clear link between the strategic development plan objectives and the budgeted utilisation of resources.

The budgetary planning process will incorporate the following elements:

- forecasts of the likely number of pupils to estimate the amount of ESFA grant receivable
- review of other income sources available to the individual academies within the Trust to assess likely level of receipts
- review of past individual performance against budgets to promote an understanding of the Trust 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
- liaising with external agencies including major suppliers to ensure that the Trust's best financial interests are met

Individual academy plans and budgets will need to be revised until income and expenditure are in balance. 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.

If a potential surplus is identified at an individual academy within the Trust, this may be held back as a contingency or alternatively carried forward to invest in future years' priorities for the students that the academy serves.

It will be the responsibility of each Local Governing Body to approve their respective academy's annual budget prior to submission to the Trustees. Such approval should be clearly minuted in sufficient time to allow prompt submission of aggregated plans to the ESFA and should be accompanied by a statement of assumptions and explanations behind the plan so that if circumstances change, it is easier for all concerned to take remedial action.

The Chief Financial Officer, in conjunction with the Chief Executive Officer, are responsible for preparing and obtaining approval for the Trust's annual budget, which aggregates the budgets of each academy in the Trust and the PET Central Services. The budget must be approved by the Board of Trustees.

The approved aggregated budget must be submitted to the ESFA by the 31st July each year or at a date specified by the ESFA. 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.

## MONITORING AND REVIEW

Budget monitoring reports are available in the Access Education reporting suite in which actual variances are highlighted against budget allocations. Monthly reports should be prepared by each academy in the Trust. The reports will detail actual income and expenditure against budget for the period of reporting, the year to date and a forecast of the projected year end position.

The Chief Financial Officer will produce and provide a monthly aggregated report for the Chief Executive Officer and the Chair and Vice Chair of the Board of Trustees.

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. Any potential overspend against budget must, in the first instance, be discussed with the Chief Financial Officer.

Each academy should present monitoring reports to their local governing body at least three times a year. Reports should also be provided to the Potteries Educational Trust Finance and Resources Committee.

## FINANCIAL REPORTING

The Business / Finance Manager within each academy is responsible for providing their respective Principal / Headteacher and the Chief Financial Officer with monthly management accounts. The report should be produced on a monthly basis in line with the PET Monthly Finance Timetable issued in advance of each academic year.

Management accounts reports should be reliable and relevant to users; the characteristics of good quality financial information are:

- **Produced promptly.** Financial reporting should be carried out in line with the ESFA Academy Trust Handbook and the annual PET Financial Reporting Calendar
- **Accurate.** Actual expenditure appearing on the report should agree to what has been processed on Access Education. There should be a monthly reconciliation of the bank account to Access Education. Where amounts have been charged to the academy and are still in dispute, these should still be included in the actual expenditure until queries have been resolved
- **Complete.** To provide governors with a “true and fair” view of the academy’s financial position the reports must include committed expenditure. For information to be complete expenditure that the academy has been committed to including details of orders and invoices outstanding must be included
- **Understandable.** Reports need to be understandable to the intended recipient; in particular, financial reports to governors should be jargon free

- **Concise.** Reports should be summarised and not contain an unnecessary amount of detail. Expenditure and budget totals should be summarised to the headings contained in the annual ESFA funding statement and in the annual accounts
- **Include explanatory comments.** Where there are significant variances on budget headings an explanation should be provided with the report. Proposed actions to address variances should also be reported and actions agreed should be minuted. Where large orders are due to be placed, this may also require a note to the report
- **Include a projected out-turn** on at least on a quarterly basis, which is an reforecast estimate of the final budget position of the academy at the end of the financial year
- **Consistency** Reports should be prepared in a consistent format utilising the reporting module of the Access Education accountancy system

## PAYROLL

Please see the separate PET Payroll Policy and Procedures for full details.

## PROCUREMENT

The Trust aims to achieve the best value for money from all purchases. This means we want to get what we need in the correct quality, quantity and time at the best price possible. A large proportion of purchases will be paid for with public funds and we need to maintain the integrity of these funds by following the general principles of:

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

For more details on Procurement processes, please see the separate Trust Procurement Policy.

## ROUTINE PURCHASING

Budget holders will be informed of the budgets available to them each academic and financial year after the budget has been formally ratified by Trustees. It is the responsibility of the budget holder to manage their element of the budget and to ensure that the funds available are not overspent. A print detailing actual expenditure against budget will be supplied to each budget holder after the month end process has been completed, and budget holders are encouraged to keep their own records of orders placed but not paid for.

It is essential that all of the following controls are adhered to:

- orders should not be entered into verbally and unless a Business credit card has been used. Orders should always include the Trust's terms & conditions of the order and protects the Trust against terms and conditions imposed by suppliers in the absence of quoted terms & conditions

- the use of 'Official Orders' through the Access Education finance system automatically updates the financial records and enables committed expenditure to be included in management information for governors
- in exceptional circumstances (e.g. emergency repairs) orders may be placed by telephone. In such circumstances a confirmation order should be generated. Orders should be emailed to suppliers, in order to reduce timelines.
- orders should only be approved in accordance with the authorised limits within the scheme of delegation listed in Appendix A of this document
- orders may only be used for goods and services provided to the Trust. Private individuals and other organisations may not use 'Official Orders' to obtain work, goods, materials and services net of VAT

The academy budget holder or the academy Business / Finance Manager 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 purchase order (or equivalent in exceptional circumstances). 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.

If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the academy's finance office should be notified. The academy's Business / Finance Manager will keep a central record of all goods returned to suppliers.

All invoices should be sent to the academy's finance office to be checked against the purchase order (or equivalent in exceptional circumstances) and the delivery note to evidence the following:

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

Invoices will be authorised for payment by the relevant budget holder and then passed to the academy's finance office for recording and payment through Access Education.

## **COMMERCIAL PURCHASING CARD / BUSINESS CHARGE CARD**

Designated commercial purchasing cards or business charge cards are held by named cardholders in each academy. In most circumstances this should be the Principal / Headteacher, their Deputy or the Business / Finance Manager. Each cardholder is personally responsible for the safe custody of their card. The card should be held securely at all times and any loss of cards should be reported immediately. Both the cardholder and Business / Finance Managers 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 Business / Finance Manager and reviewed and signed off by the Principal / Headteacher.

The Chief Financial Officer will check a sample of each academy's monthly reconciliations as part of the internal independent checking procedures to ensure that the business charge card system is operating correctly.

## **PURCHASE ORDERS**

The procurement of goods and services is the process potentially most open to abuse or mismanagement and it is therefore essential to have strong financial controls to safeguard the academy's interests. It is essential that all of the following controls are adhered to:

- orders should not be entered into verbally and unless a Business credit card has been used, orders should always include the academy's terms & conditions of the order and protects the academy against terms and conditions imposed by suppliers in the absence of quoted terms & conditions
- all orders for goods and services must be confirmed using an official order form, unless exceptional circumstances dictate otherwise. It is the responsibility of the budget holder to be satisfied that the work, goods, materials or services are appropriate and necessary, that there are adequate funds in the academy budget for that purpose and that sufficient quotations/tenders have been obtained
- individually numbered purchase orders will be produced from the Access Education financial system and will be approved by the nominated Access Education approvers before dispatch to suppliers
- the use of purchase orders through Access Education automatically updates the financial records and enables committed expenditure to be included in management information for governors
- in some circumstances (e.g. emergency repairs) orders may be placed by telephone. In such circumstances a confirmation order should be generated. Orders should be e-mailed to suppliers (where possible), in order to reduce timelines and save on postage costs. In such circumstances care should be taken to ensure that the supplier receives the academy's terms and conditions
- orders may only be used for goods and services provided to the academy, private individuals and other organisations may not use purchase orders or non-order invoices transactions to obtain work, goods, materials or services net of VAT

## **INVOICE PROCESSING**

When invoices are received, it is essential to check that all the elements of the invoice are correct before authorising payment. The checks should be carried out and evidenced by separate individuals where possible.

All invoices should be sent to the Finance Office to be checked against the Access Education 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
- prices correct
- that the invoice is not a copy or a facsimile and has not previously been paid. If it is necessary to request a duplicate invoice (if original is lost), then this duplicate shall be endorsed 'not previously passed for payment'. The endorsement should be certified by the signature of the appropriate authorizer.
- 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.
- 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
- if any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Finance Office should be notified. The Finance Office will keep a central record of all goods returned to suppliers
- valuable items that are portable and desirable should be security marked and added to the inventory or asset register immediately

## CREATING NEW OR AMENDING EXISTING SUPPLIERS

- All requests for new suppliers must be completed within the Access Education finance system which includes full name, address and banking information for the supplier.
- All changes must then be verified by contacting the supplier with contact details obtained from an independent source, and by checking with companies' house or calling a known person of authority at the supplier.
- Any changes must be checked and verified by a second official before adding / amending the supplier details on the Access Education finance system.
- Any subsequent changes to supplier's details must be confirmed by checking directly with the supplier using the original notified contact points.

## RECONCILIATION PROCEDURES

It is essential that thorough procedures are in place to ensure that all costs incurred and income received against each academy's accounts are valid and verify that they are the responsibility of their particular academy. The Business / Finance Manager at each academy is responsible for ensuring that controls are in place for these checks to be carried out.

The Business/Finance Manager is also responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:

- **payroll** - each academy will be issued with a copy of their specific report data. Each academy must undertake a reconciliation of each individual payment against the latest staffing budget. Any variations should be investigated and queries raised immediately with Stoke-on-Trent City Council Payroll within the sign-off timetable issued.

The Business / Finance Manager at each academy will obtain a monthly live payroll report from Stoke-on-Trent City Council from their secure portal. The report will be specific to each academy.

Each academy must undertake a further reconciliation of each individual payment against the latest staffing budget. The completed reconciliation should be signed by both the Business / Finance Manager and/or the Principal / Headteacher to confirm that all necessary checks have been undertaken.

- **PET bank balances per the nominal ledger to the PET bank statements** - the Business / Finance Manager at each academy must ensure bank statements are received regularly and that reconciliations are performed at least on a monthly basis. The Reconciliation procedures must ensure that the bank account is reconciled to the cash book, reconciliations are prepared by the Finance/Office Managers at each academy, reconciliations are subject to an independent monthly review carried out by the PET Chief Financial Officer and all adjustments arising are dealt with promptly.
- **procurement cards** - monthly statements will be received by the Finance Managers at each academy. All receipts must be produced and reconciled monthly to the monthly statement by the Finance Officer and reviewed and signed off by the Headteacher.
- **VAT**
- **trial balance**

Any unusual or long outstanding reconciling items must be brought to the attention of the Principal / Headteacher.

## **PETTY CASH ACCOUNTS**

Personal cheques must not be cashed from petty cash funds by the individual. Another appropriate colleague must process this.

Expenditure is recorded manually in the first instance. Expenditure is then processed into the Access Education finance system against the appropriate nominal ledger code and cost centre.

The Finance team at each academy is responsible for entering all transactions into the petty cash records on a regular basis. Frequent and unannounced cash counts should be undertaken by the Business / Finance Manager to ensure that the cash balance reconciles to supporting documentation and the finance system balance

Petty cash must be securely held at all times with access strictly limited to authorised officials only.

The amount of cash held at each academy site should not exceed more than £1,000 at any time. The cash is held in a designated cash tin in the main safe in the Finance Office.

When petty cash expenditure is processed through the Access finance system, the electronic cash-in-hand is reconciled against the physical cash remaining in the cash tin. A recorded breakdown of this is included in the petty cash file. When the amount of cash remaining in the cash tin is deemed to be too low to support petty cash claims for a further banking period, cash is ordered such that cash-in-hand is reimbursed to £1,000.

On occasion, petty cash in advance may be issued. All claims must be signed off by the Budget Holder or on occasion the relevant academies Business / Finance Manager or Headteacher / Principal. A signature from either is needed, in addition to the usual petty cash form, before cash is given to the staff member. On occasion a recurring cash-in-advance authorisation may be awarded, for example a departmental float (e.g. science / art), used for buying various materials for practical science experiments. This is a £50 cash-in-advance claim (unless a valid reason can be provided and agreed with the Business/Finance Manager why a budget holder may need to be issued a larger amount than this), given on a rolling basis. A new claim can only be made following the reconciliation of the previous £50 with receipts given to finance by the department.

## **PETTY CASH TOP UP**

Petty cash is reimbursed via cashing a cheque at the bank branch, and is signed for by a member of the finance team. The cash is counted by the Finance Manager and Finance Officer / Assistant and confirmed. The cash is placed in the cash tin which is then placed in the safe. The cash reimbursement is processed through the Access finance system so the electronic cash-in-hand is made back up to the new balance.

## **PETTY CASH PAYMENTS TO STAFF**

See the following section on staff expenses.

## **STAFF EXPENSES (INCLUDING TRAVEL RELATED EXPENSES)**

Staff expenses should be incurred only for purchases that cannot be made via the normal purchasing route (purchase order>invoice), such as bus tickets, parking charges, small items bought from independent shops. Expenditure is signed off by the budget holder before expenses are paid.

Staff expense claims will be reimbursed either by BACS or through Payroll payment and will be subject to a delay of at least 5 working days from receipt of claim. Alternatively, claims up to a value of £10 can be reimbursed by petty cash if preferred. Any purchase should have been approved in advance by the budget holder.

All claims must be accompanied by a completed staff expense claim form. The form must be signed by the budget holder from which the payment is to be taken, and by the Headteacher / Principal / CFO / Business / Finance Manager. Budget holders must not authorise their own petty cash claims, these should be authorised by their line manager / Business / Finance Manager. For payments which are to be paid by BACS, staff members who have not had a payment processed before must include their bank details to enable a the payment to take place.

A full receipt for goods purchased must be obtained. Where VAT is applicable, the receipt must bear the VAT number of the supplier of the goods/services. If the staff member completing the order does not have the complete VAT information, then the expense will be processed with VAT included within the total amount of the expenditure.

Receipts must include the goods that are the subject of the claim. The receipt(s) and authorised claim form are to be submitted to the Finance Office for payment.

Reimbursement may be made for cash claims of £10 or under. All cash payments will require a signature on the claim form from the claimant to confirm receipt.

When a BACS payment has been made the system will generate an electronic remittance advice.

Each transaction will be recorded on the Access finance system either as a staff expense (for BACS payments) or as a petty cash transaction, taking care to allow for any reimbursable VAT applicable.

In order for staff to be reimbursed for work related business mileage they must provide originals of the following documents to a member of the finance team:

- Driving licence
- Vehicle insurance certificate

A copy of the documents are kept on file in the Finance Office. A log is kept of documents held by Finance upon expiry staff will be requested to submit current certificates to Finance.

### **Mileage**

Reimbursement of mileage claims will be made either by BACS or via payroll and reconciled by Finance on a monthly basis.

If a private car is used mileage allowance may be claimed at a rate of:

- 45 pence per mile for the first 10,000 business miles travelled annually,
- 25 pence per mile for additional miles above 10,000 in the same tax year.

### **Car Parking**

Reasonable parking costs on business visits and journeys will be reimbursed.

The trust will not reimburse clamping charges, parking or other fines or related expenses.

### **Subsistence**

Meal allowances are claimable under the following circumstances (where not already included in course fees or accommodation):

- Breakfast £6.00 (Only if leaving home before 6am)
- Lunch £8.00
- Dinner £15.00 (Returning home after 8pm or a residential)

The above maximum meal allowances may be claimed when the period of absence covers the time at which the meal concerned would have been taken under normal circumstances.

- Meal allowances are not payable where hospitality is provided by a third party.
- Meal allowances may not be used to purchase alcoholic drinks.

### **Accommodation**

If overnight accommodation is required, then the following maximum allowances can be claimed.

The trust will reimburse hotel charges for meals and accommodation up to the following limits:

UK or Greater London if in brackets,

- Bed & Breakfast £70 (£100)

- Staying with Friends/Relatives £25 (£25)

The overnight stay must have the prior approval of the respective budget holder/line manager.

Reimbursement will be on the basis of actual costs or the above limit, whichever is the lower. VAT receipts must be attached to claims.

### **Other Overnight Stay Expenses**

#### **Business Telephone Calls**

Business telephone calls included on hotel bills should be highlighted and claimed in full. Personal calls may not be claimed. Where possible a business or personal mobile phone should be used

Actual parking costs at the hotel will be reimbursed on the submission of a receipt.

No entertainment expenses (newspapers, magazines, videos, gymnasium, etc.) will be reimbursed by the trust.

No claims may be made for alcohol.

## **BANKING**

Banking paying-in books and cheque books are kept in the safe at each academy.

Cash is not left unattended in the finance offices at any point.

Cheques and cash corresponding to the amounts entered on the paying-in slip are kept with one of the bank paying in slips prior to the deposit at the bank.

Monies awaiting payment into the bank are kept securely locked in the academy's safe.

A Finance Officer / Assistant, will records all banking related payments (cash / cheques) on the Access finance system from the income form.

## **VAT**

The Potteries Educational Trust is registered for VAT. Registration number 329383578

A VAT return is processed centrally in the Access Finance system on a quarterly by a member of the central team for all academies within the trust. Returns are submitted digitally using the Making Tax Digital service.

Following receipt of the payment, funds are then distributed in line with the return to the academies individual bank accounts with the remaining central trust element retained in the PET Central Services account.

When a new supplier is added to the Access finance system care should be taken to select the correct VAT description from the drop down as this determines whether full or partial VAT should be claimed on the return.

Once completed the VAT return is checked and signed by the Trust Finance Manager and Chief Financial Officer before being submitted using the Making Tax Digital service.

## SECURITY

Stores and equipment must be secured by means of physical and other security devices. Only authorised staff may access the stores.

Safes must be kept locked and the key removed. Keys to safes and cash boxes must be carried on the person of the nominated key holder at all times. The loss of such keys should be reported to the Principal / Headteacher and Chief Financial Officer immediately.

Money left on the premises shall be secured in a locked safe, where provided, or in a locked secure cabinet. The insurance limit for cash (and cheques) held in a safe is £1,000, unless a higher limit is specifically agreed with individual insurers.

Losses due to theft of stocks or cash shall be promptly reported to the Police, Principal / Headteacher, Chief Financial Officer and the Chief Executive Officer.

Steps must be taken by the Principal / Headteacher to ensure that there are effective back up procedures for all computer systems. All back up disks, tapes, etc. should be securely retained in a fireproof safe or remote location, with at least one tape/disk held securely off-site. Recommendations for backup procedures should be regularly checked with the academy IT support provider.

Arrangements should be made to ensure that only authorised staff have access to computer hardware and software used for academy management. Passwords should not be disclosed or shared and should be changed regularly. Access rights of any staff leaving the academy should be promptly revoked.

## INVENTORIES

An asset register should also be maintained, in which shall be recorded an adequate description of all land, buildings, moveable plant and machinery, vehicles, furniture, fittings and equipment belonging to the academy, where the current valuation (for property) or the acquisition cost (for other assets) is greater than the de-minimis level of £3,000.

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

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

Non-Current Assets are to be depreciated to reflect the recoverable amount in the financial statements, over the useful life of the asset.

The depreciation will be calculated and processed on either an annual or monthly basis in preparation for the end of year annual accounts.

Groups of assets will use the same method of depreciation. There may very occasionally be an asset that does not completely fit into one of the categories below and the Chief Financial Officer will discuss these items on an individual basis.

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.

Each academy's asset registers should be reviewed and checked for accuracy by the Central finance team at intervals of no less than twice per annum. Sample physical checks should take place as part of this process.

## **ACQUISITIONS AND DISPOSAL OF ASSETS**

The Trust must seek and obtain prior written approval from the ESFA, for the following transactions:

- acquiring a freehold on land or buildings
- disposing of a freehold on land or buildings
- disposing of heritage assets beyond any limits set out in the Trust's funding agreement in respect of the disposal of assets generally. Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture, as defined in applicable financial reporting standards

The Trust may dispose of any other fixed asset (i.e. other than land, buildings and heritage assets as described above) without the ESFA's prior approval. The Trust must ensure that any disposal achieves the best price that can reasonably be obtained, and maintains the principles of regularity, propriety and value for money. This can involve public sale where the assets have a residual value.

Some property transactions may be novel or contentious and so require the consent of the ESFA on that basis. Novel payments or other transactions are those in which the Trust has no experience, or are outside the range of normal business activity for the Trust. Contentious transactions are those which might give rise to criticism of the Trust by the public or the media. It is difficult to be specific about what might constitute novel or contentious payments; it is for trusts to use their judgement about when they should seek the prior advice of the ESFA. Public money must always be spent prudently and in ways that command broad public support.

Items which are to be disposed of by sale or destruction must be authorised for disposal by the Principal / Headteacher and, where significant, should be sold following due process:

- taking reasonable steps to advertise the disposal
- inviting bids for the asset (sealed bids are preferable)
- negotiating with potential purchasers

The Trust may agree to give assets bought for a proper purpose, but which are no longer needed for the conduct of its business, to a charity, up to a maximum value of £1,000 per single donation. The residual value of assets is determined by the greater of the written down value or market value.

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

## **LOAN OF EQUIPMENT**

Items of academy Trust property must not be removed from any of the Trust premises without the authority of the respective Principal / Headteacher or their Deputy. A record of any loans must be recorded and the asset booked back in when it is returned.

If assets are on loan for an 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 of equipment should therefore be kept under review and any potential benefits discussed with the Trust's auditors.

## **INSURANCE ARRANGEMENTS**

The Chief Financial Officer will ensure insurance arrangements are in place at each academy and the levels of cover comply with the ESFA statutory requirements.

All risks will be reviewed annually to ensure that the cover remains adequate. The ESFA advise to use the Risk Protection Arrangement for academies provided by the DfE, however if this is not cost effective then external quotes should be sourced and evidenced if selecting an alternative provider.

All contractors must have public liability insurance before they are allowed to undertake work on any of the academy trusts premises.

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

## **RECEIVING INCOME**

The main sources of income for the Trust are the grants received from the Education Skills and Funding Agency (ESFA). The receipt of these sums is monitored directly by the Chief Financial Officer and academy Business / Finance Managers who are responsible for ensuring that all grants due to each academy are collected.

Academies also obtain income from:

- student teachers from universities and other institutions
- hiring of premises and facilities
- catering sales
- parents via parent pay
- students
- external peer review and support services
- other government grants

Certain curriculum departments generate some income through entrepreneurial activities. Such charges should be made in accordance with each academy's Charging and Remissions Policy.

Lettings charges are determined by the individual academy's policy on premises hire, unless exceptional circumstances require otherwise. In such circumstances, charges are determined at the discretion of either the Business / Finance Manager, Principal / Headteacher, the Chief Financial Officer or the Chief Executive Officer.

Bookings for lettings are made through the Finance Office within each academy. Each academy's Finance Assistant / Officer will issue the hirer a booking form and an invoice in advance of the letting taking place.

Payments for invoices are raised manually and issued by the academy. These will be recorded as income into the lettings income code within the Access Education finance system.

All monies must be banked, in their entirety, in the appropriate bank account. The Business / Finance Manager 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.

All outstanding invoices should be reviewed each month by the Business / Finance Manager and pursued to ensure that the academy receives all monies due.

The Trust on behalf of all its academies may write off debts and losses, including any uncollected fines up to the delegated limits, subject to a maximum of £250,000 per annum, with the maximum per transaction being £45,000 or 1% of total income (whichever is smaller).

In relation to these limits, the amounts for write offs are before any successful claims from an insurer and total income is defined as grant income as disclosed in the Trust's last set of audited accounts.

## **IRREGULAR OR IMPROPER TRANSACTIONS**

Situations may arise where it may appear to the Trust to make sense to enter into a transaction which is irregular, improper or does not provide value for money. In these circumstances the Trust must seek prior, written permission from the ESFA. Such transactions may additionally require HM Treasury approval dependent on the nature of the transaction involved.

## **MANAGING SURPLUS GENERAL ANNUAL GRANT (GAG)**

It is important that grants are spent as needed to avoid excess calls on exchequer funding and public borrowing. The ESFA previously set limits on the amount of GAG that could be carried forward from one year to the next. These limits have now been removed so that academy trusts have greater freedom to keep money aside for when it is needed most and to build up reserves, for example with the view to support long-term capital projects.

The DfE does however expects academy trusts to use their allocated funding for the full benefit of their current students. Therefore, it is important that if any academy in the Trust has a substantial surplus, they have a clear plan for how it will be used to benefit these students.

The ESFA will also verify the sums of unspent funds when it checks the Trust's accounts and highlight and report, to the relevant DfE Boards, any cases where it has serious concerns about a long-term substantial surplus with no clear plans for use.

## **REGISTER OF PECUNIARY (OR BUSINESS) INTERESTS**

The Trust Board through the Clerk to the Trust Board, shall maintain a 'Register of Pecuniary Interests' that lists the personal interests, financial or otherwise, that could be deemed a potential conflict of interest for any Trustee, Local Governor, Chief Executive Officer, Chief Financial Officer and Principal / Headteacher and other members of staff with financial responsibility within the Trust. All of these shall declare in writing if they have a pecuniary interest in a personal capacity in any contract within the academy trust.

The Clerk shall keep the register up to date as new Trustees, Governors or staff join the academy trust and must undertake an annual review. A blank Pecuniary Interest form will be supplied by the Trust Clerk to ensure consistency throughout each member academy.

Those Trustees, Governors or staff not holding any pecuniary interests must submit a nil return.

Any relevant business and pecuniary interests, especially related parties, of trustees and members must be published on the academy website and within the annual financial statements.

## **GIFTS**

All gifts to the Trust or its academies either in kind or in money over the amount of £25 should be recorded and submitted to the Chief Financial Officer on an annual basis following the end of each financial year. For more detailed policy information, please see the separate PET Gifts and Hospitality Policy.

## **EXPENSES PAID TO TRUSTEES AND GOVERNORS**

Expenses may only be paid to Trustees or Governors in accordance with current DfE and ESFA guidance.

## **PART 2: FINANCIAL SCHEME OF DELEGATION**

The Trust Board have agreed to this financial scheme of delegation, established as a formal schedule that distinguishes between matters reserved exclusively for Members and Trustee's approval or decision and matters delegated to committees and individuals. The scheme of delegation includes the financial limits and signatories applicable to such matters as placing orders and contracts, and the issuing of payments. This scheme is a key document in the administration and accountability of the Potteries Educational Trust's finances.

## **POWERS AND DUTIES RESERVED FOR THE MEMBERS**

The Members are signatories to the Potteries Educational Trust Articles of Association. By right of office they comprise of the five nominated members. They shall be responsible for:

- The appointment of the academy trusts internal and external financial auditors
- Receive (but not to sign) the final annual report and audited financial statements each year within the timescales designated by the Department for Education and the Education and Skills Funding Agency and in accordance with the most recent and relevant Academies' Account Direction.
- Meet at least once a year for the Annual General Meeting in accordance with the regulations laid down in the Trust's Articles of Association.

## POWERS AND DUTIES RESERVED FOR THE TRUSTEES

The Trust board shall be responsible for:

### General

- Approval of a written scheme of delegation of its financial powers and duties including the Local Governing Bodies, the Chief Executive Officer, Chief Financial Officer and other staff.

The scheme must satisfy the Trustee board's ultimate responsibility for ensuring that there are adequate operational controls in place for all the financial processes within the Trust. The scheme of delegation should be operated in conjunction with the ESFA's Academy Trust Handbook

### Budgets/Budgetary Control

- Formally approving the annual Academy Trust budget prior to the start of each financial year.
- Considering budgetary control reports shared by the Chief Financial Officer on a monthly basis, with relevant explanations and documentation where required.
- Reviewing reports from the Finance and Resources Committee on unbudgeted expenditure arising in the year greater than £40,000 with due regard to the Trust's Reserves Policy and forecasted reserves at the end of the financial year.
- Maintenance of a Register of Business Interests for all Trustees, Local Governors and those academy staff with financial responsibilities.
- Approval of any related party transactions prior to notification of the ESFA. (Related party transactions in excess of £20k in total per financial year require ESFA prior approval)

### Staffing, salaries, payments to staff

- Authorisation of exceptional contracts, salaries or payments to employees (excluding ex gratia payments) that are outside the limits of the annual budget on the recommendation of the Finance and Resources Committee.

### Accounts and Audit

- Receiving and signing the audited financial statements prior to submission to the ESFA by 31st December each year.
- Receiving the report of the external auditor.
- Informing the ESFA if it suspects any irregularity affecting resources and instances of fraud or theft exceeding £5,000 individually or £5,000 cumulatively in any academy financial year.

## **POWERS AND DUTIES RESERVED FOR THE FINANCE & RESOURCES COMMITTEE**

The Finance and Resources Committee exercises the powers and duties of the Trust Board in respect of staff structure and staffing, recruitment, pay, conditions of service, employment contracts, policies regarding employees' pensions, and any related matters including industrial action, disputes, grievances and settlements. It is responsible for:

### **General**

- Exercising the powers and duties of the Trust Board in respect of the financial administration of the academy trust, except for those items specifically reserved for the Members, Trustee board and those delegated to other committees, the Principal / Headteacher and other staff.
- Reporting on decisions taken under delegated powers to the next meeting of the Full Trust Board.

### **Budgets/Budgetary Control**

- Reviewing the annual academy trust budget prior to the start of each financial year and recommending its acceptance, or otherwise to the Full Trust Board
- Considering budgetary control reports on the academy trust's financial position at every meeting taking appropriate action to contain expenditure within the budget and report to the Trust Board.
- Reviewing transfers between budget headings authorised by the Chief Executive Officer and/or Chief Financial Officer. Authorisation of transfers of sums, between budget headings in excess of £40,000.
- Approving unbudgeted expenditure arising during the year greater £40,000 per occurrence and reporting up to the Full Trust Board with due regard to the Trust's Reserves Policy and forecasted reserves at the end of the financial year.
- Reporting to the Trust board all significant financial matters and any actual or potential overspending.
- Reviewing and approving gifts greater than £25 in accordance with the Trusts policy on Gifts and Hospitality

### **Purchasing**

- Being informed of the award of orders and time value of contracts that relate to the approved budget that are over £40,000.
- To provide approval and support for goods and services orders in excess of the OJEU threshold (currently £213,477)

### **Insurances**

- Ensuring that adequate arrangements for insurance cover are in place for the academy trust

### **Security of Assets**

- Ensuring that there are annual independent checks of assets and the asset register
- Authorising the disposal of individual items of equipment and materials that have become surplus to requirements, unusable or obsolete with a net book value above £40,000 and reporting such authorisations to the Full Trust Board

### **Write Offs**

- Authorising the write off of bad debts over £10,000 and up to 1% of GAG / £45,000 reporting back to the Full Trust Board. Secretary of State's prior approval is also required if debts to be written off are above the value set out in the latest Academy Trust Handbook greater than 1% of annual income or £45,000 (whichever is smaller).

### **Accounts and Audit**

- Reviewing the draft financial statements and highlighting any significant issues to the Trust Board, prior to submission to the ESFA by 31<sup>st</sup> December each year.
- Ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 1985, SORP and the DfE/ESFA guidance issued to academies, approved and presented to the trustees.
- Approving the academy staffing structure and ensuring that staffing costs remain within the allocated budget for the year
- Reviewing and approving the recruitment costs and/ or allowances for recruitment of new appointments, of over £10,000 where relevant, when either market forces or subject shortages make it necessary for the Principal / Headteacher to request salary enhancement for a vacant role.
- Approving staff severance, settlement and or compensation payments up to £50,000. Seeking approval from the ESFA for severance, settlement and or compensation payments over £50,000 and any ex gratia payments. Reporting to the Full Trust Board any such special payments paid to employees outside of normal statutory or contractual requirements.

## **POWERS AND DUTIES RESERVED FOR THE AUDIT & RISK COMMITTEE**

The Audit and Risk Committee exercises the powers and duties to assist the Trust Board to discharge its duties and strategic responsibilities for ensuring the adequacy and effectiveness of control systems and procedures, monitoring the adequacy and effectiveness of the risk register, consider audit and other reports and receiving and recommending the annual audited accounts and governance statement to the Trust Board.

## **Accounts and Audit**

- Receiving the report of the external auditor
- Receiving the reports of the Internal Auditor on the use of resources, systems of internal financial control, and discharge of financial responsibilities.

## **POWERS AND DUTIES RESERVED FOR LOCAL GOVERNING BODIES**

The powers and duties of the Local Governing Bodies in academy financial administration are all in relation to:

### **General**

- To agree the academy budget in accordance with the priorities in the School Improvement Plan
- to approve the academy annual budget prior to submission for final Trust Board approval
- to maintain a register of pecuniary interests for academy governors and staff
- to monitor the effectiveness of internal financial controls and procedures
- consider reports from Business / Finance Managers comparing actual income and expenditure with budget
- monitoring the academy's cash flow
- submit to the trustees any proposed write-offs and disposals of surplus stock and equipment
- determine matters relating to building maintenance, health and safety and lettings outside academy hours in accordance with the Governors' delegated responsibilities
- consider the findings and recommendations and findings of academy specific internal audit reports
- the Chair of the LGB shall ensure that minutes are signed at the next meeting to confirm that they are accurate.
- ensure that adequate controls are in place to ensure that all responsibilities delegated are monitored

## **POWERS AND DUTIES RESERVED FOR THE CHIEF EXECUTIVE OFFICER**

The Chief Executive Officer has overall responsibility for the Trust's activities including financial activities. As the Accounting Officer for the Trust, the Chief Executive Officer is personally responsible

for propriety and regularity of the public finances for which they are answerable. This covers standards of conduct, behaviour and corporate governance

## General

The essence of the role is a personal responsibility for:

- **Regularity** - Dealing with all items of income and expenditure in accordance with legislation, the terms of the Trust's funding agreement and this Handbook, and compliance with internal trust procedures. This includes spending public money for the purposes intended by Parliament;
- **Propriety** – The requirement that expenditure and receipts should be dealt with in accordance with Parliament's intentions and the principles of Parliamentary, control. This covers standards of conduct, behaviour and corporate governance;
- **Value for money** – This is about achieving the best possible educational and wider societal outcomes through the economic, efficient and effective use of all the resources in the Trust's charge, the avoidance of waste and extravagance, and prudent and economical administration. A key objective is to achieve value for money not only for the Trust but for taxpayers more generally.

## Budgetary control

- Reviewing monthly income and expenditure reports issued by the Chief Financial Officer and highlighting actual or potential overspending
- Approving transfers between budget headings, as reported in the GAG funding statement, between £10,001 and up to £40,000 each and reporting such approvals to the Finance and Resources Committee.
- Approving unbudgeted expenditure arising during the year between £10,001 and up to £40,000 per occurrence and reporting up to the Finance and Resources Committee.

## Financial Management

- Ensuring the arrangements for collection of income, ordering of goods and services, payments and security of assets are in accordance with the Financial Regulations, ESFA Academy Trust Handbook and any other current statutory requirements.

## Purchasing

- Authorising orders and contracts over £40,000 up to the value of OJEU threshold (currently £213,477 for goods and services) that relate to the approved budgets and reporting these orders and contracts to the Finance and Resources Committee for review as appropriate.
- Ensuring that all contracts and agreements conform to the Financial Regulations with the Chief Financial Officer

## **Write Offs**

- Authorisation to write off bad debts of up to £10,000 per occurrence (not exceeding £45,000 in total) in any one year.

## **Accounts and Audit**

- The operation of financial processes within the Trust, ensuring that adequate operational controls are in place and that the principles of internal control are maintained in accordance with current statutory requirements.
- Ensuring that full, accurate and up to date records are maintained in order to provide financial and statistical information.
- Ensuring that all records and documents are available for audit by the appointed external auditors and by the Responsible Officer.

## **Security of Assets**

- Authorising the disposal of individual items of equipment and materials that have become surplus to requirements, unusable or obsolete up to a net book value of £40,000

## **POWERS AND DUTIES RESERVED FOR THE CHIEF FINANCIAL OFFICER**

The Chief Financial Officer works in close collaboration with the Chief Executive Officer (as Accounting Officer) through whom he/she is responsible to the Trust Board. The Chief Financial Officer also has direct access to the Trust Board and Finance and Resource Committee through attendance at these meetings. The main responsibilities of the Chief Financial Officer are:

### **General**

- Preparing and collating the annual draft trust budget plan for consideration by the Finance and Resources Committee and Full Trust Board before the start of the new financial year
- Monthly monitoring of expenditure and income against the approved budget and submitting reports on the academy trust's financial position to every meeting of the Finance and Resources Committee. Any actual or potential overspending across the trusts academies shall be reported to the Finance and Resources Committee.
- The day to day management of financial issues including the establishment and operation of a suitable accounting system
- The management of the academy trust financial position at a strategic level within the framework of financial control determined by the Trust Board
- The maintenance of effective systems of internal control
- Ensuring the annual accounts are properly presented and adequately supported by the underlying books and records of the academy trust

- Ensuring forms and returns are sent to the DfE in line with the timetable in the DfE guidance
- Approving transfers between budget headings, up to a value of £10,000 each and reporting such approvals to the Chief Executive Officer.
- Approving unbudgeted expenditure arising during the year up to £10,000 per occurrence and reporting up to the Chief Executive Officer.

### **Purchasing**

- Authorising orders and contracts up to £40,000 that relate to the approved budget and reporting to the Chief Executive Officer and where appropriate academy Principal's / Headteachers.
- Maintaining a register of preferred suppliers and formal contracts entered into, including amounts paid and certificates of completion where relevant.
- Retention of quotes obtained for goods, works and services as appropriate.
- Ensuring that all correct invoices are duly certified by authorised staff before payments are made and that invoices, vouchers and other records are retained and stored in a secure way and are readily available for inspection by authorised persons.
- Ensuring the appropriate segregation of duties between staff responsible for processing orders, receiving deliveries and processing payments.

### **Write Offs**

- Authorisation to write off bad debts of up to £10,000 per occurrence (not exceeding £45,000 in total) in any one year.

### **Income**

- Ensuring that all income is accurately accounted for and is promptly collected and where appropriate banked intact.

### **Insurances**

- Notifying the Finance and Resources Committee on any eventuality that could affect the academy trust's insurance arrangements.

### **Security of Assets**

- Ensuring a permanent and continuous register of all items of equipment, vehicles, plant and assets is maintained by each academy

- Ensuring that proper security is maintained at all times for all buildings, furniture, equipment, vehicles, stocks, stores, cash, information and records etc. under their control.
- Authorising the disposal of individual items of equipment and materials that have become surplus to requirements, unusable or obsolete up to a net book value of £10,000

### **Information and Communication Systems**

- Maintaining the standards of control for such systems in operation within the academy trust to include the use of properly licensed software, and for the security and privacy of data in accordance with the Data Protection Act and General Data Protection Regulation.

## **POWERS AND DUTIES RESERVED FOR ACADEMY PRINCIPALS / HEADTEACHERS**

The Principal's / Headteachers work in close collaboration with the Chief Executive Officer (as Accounting Officer) through whom he/she is responsible to the Trust Board. The main financial responsibilities of Principal's / Headteachers are:

### **General**

- Approving transfers between budget headings, up to a value of £10,000 each and reporting such approvals to the Chief Executive Officer
- Approving unbudgeted expenditure arising during the year up to £10,000 per occurrence and reporting up to the Chief Executive Officer.

### **Purchasing**

- Authorising orders and contracts up to £40,000 that relate to the approved budget and reporting to the Chief Executive Officer and Chief Financial Officer as appropriate.
- Signing cheques in conjunction with the Chief Executive Officer, Chief Financial Officer and other authorised signatories.

### **Security of Assets**

- Authorising the disposal of individual items of equipment and materials that have become surplus to requirements, unusable or obsolete up to a net book value of £10,000

### **Payroll and Personnel**

- Authorising expenses and additional hours' claims

## **POWERS AND DUTIES RESERVED FOR ACADEMY BUSINESS / FINANCE MANAGERS**

The Business / Finance Manager at each academy will work in close collaboration with the Chief Financial Officer and their main responsibilities are:

## **General**

- Preparation of the annual draft academy budget plan for consideration by the Local Governing Body and Full Trust Board before the start of the relevant financial year
- Monthly monitoring of expenditure and income against the approved budget and submitting reports on the academy's financial position to the Chief Financial Officer for reporting at each meeting of the Finance and Resources Committee. Any actual or potential overspending shall also be reported to the Chief Financial Officer.
- The day to day management of financial issues relevant to their academy
- The maintenance of effective systems of internal control
- Ensuring information is available for the completion of statutory forms and returns and that they are sent to the DfE in line with the timetable in the Academies Planning Calendar

## **Purchasing**

- Retention of quotes obtained for goods, works and services as appropriate.
- Ensuring that all correct invoices are duly authorised by staff before payments are made and that invoices, vouchers and other records are retained and stored in a secure way and are readily available for inspection by authorised persons.
- Ensuring the appropriate segregation of duties between staff responsible for processing orders, receiving deliveries and processing payments.
- Signing cheques in conjunction with the Principal / Headteacher, Chief Financial Officer and other authorised signatories.

## **Payroll and Personnel**

- Notifying the payroll provider of any matters affecting payments to employees.
- Ensuring that the monthly payroll is checked, and certifying it for payment.
- Authorising additional hours' claims

## **Income**

- Ensuring that all income is accurately accounted for and is promptly collected and where appropriate banked intact

## **Banking Arrangements**

- Maintaining proper records of account and reviewing monthly bank reconciliations.

## Security of Assets

- Ensuring that proper security is maintained at all times for all buildings, furniture, equipment, vehicles, stocks, stores, cash, information and records etc. under their control.
- Maintaining a permanent and continuous register of all items of furniture, equipment, vehicles, plant and assets

## POWERS AND DUTIES DELEGATED TO BUDGET HOLDERS

Members of staff with delegated responsibilities for budgets should be aware that these must be exercised in accordance with the Financial Regulations.

### Budgets/Budgetary Control

- Appointed Budget Holders are responsible for checking and certifying monthly statements of expenditure against their delegated budget and for reporting any errors or irregularities, and any actual or potential overspending to the Business / Finance Manager

### Purchasing

- Budget Holders can approve orders up to £1,000 provided it is within the scope and remaining balance of their delegated budget. All orders must then be submitted to the Senior nominated budget Manager (often a senior leadership team staff member or academy Business / Finance Manager) for further approval between £1,001-£10,000.
- Orders between £10,001-£40,000 should then be submitted to the academy Principal / Headteacher or Chief Financial Officer.
- If the order is in excess of £40,000, this should be sent to the Chief Executive Officer for authorisation.
- Orders which are in excess of the OJEU threshold (currently £213,477) should also be submitted to the Trust Finance and Resources Committee for authorisation.
- The following members of staff are authorised to receive and check goods:
  - budget holders
  - Premises and administration staff nominated by Budget Holders / Business / Finance Manager / Chief Financial Officer

## THE ROLE OF ALL STAFF

All staff are responsible for the security of Trust property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources, and for conformity with the requirements of the Trust's financial procedures.

## FINANCIAL AUTHORISATION TABLE

Delegated Duty	Value	Delegated Authority	Method
<b>Purchasing Ordering Goods and Services (raising order forms) within approved Budget headings</b>	Up to £1,000	Budget Holders	Selection from preferred supplier list
	£1,001 to £10,000	Budget Holder with approval of the budget by Senior Budget Manager or Academy Business / Finance Manager	Selection from preferred supplier list. Three quotes if over £5,000
	£10,001 to £40,000	Budget Holder with approval of the budget by either Principal / Headteacher or Chief Financial Officer	Minimum of three quotes (unless a preferred supplier)
	£40,000 and £213,477 (OJEU Threshold)	Budget Holder with approval of the budget by the Chief Executive Officer	Minimum of three quotes / tender and report to Finance and Resources Committee
	£213,478 (OJEU Threshold) and above	Chief Executive Officer and Trust Finance and Resources Committee	OJEU compliant tender process
<b>Approved Unbudgeted Expenditure</b>	Up to £10,000	Either Principal / Headteacher or Chief Financial Officer	Report To Chief Executive Officer
<b>Approved Unbudgeted Expenditure Signatories for cheques, BACS payment authorisations and other bank transfers</b>	£10,001 to £40,000	Chief Executive Officer	Report to Finance and Resources Committee
	£40,001 and above	Finance and Resources Committee	Report to Full Trust Board
		Two signatories from: <ul style="list-style-type: none"> <li>• Chief Executive Officer</li> <li>• Chief Financial Officer</li> <li>• Business / Finance Manager</li> <li>• Principal / Headteacher</li> <li>• Vice Principal / Deputy HT</li> </ul>	
<b>Signatories for ESFA grant claims and ESFA returns</b>	Any	To be signed by Chief Financial Officer and/or Chief Executive Officer	
<b>Transfer of budget provision between budget headings</b>	Up to £10,000	Either Principal / Headteacher or Chief Financial Officer	Reporting to Chief Executive Officer
	£10,001 to £40,000	Chief Executive Officer	Report to Finance and Resources Committee
	Over £40,000	Finance and Resources Committee	Report to Full Trust Board

<b>Disposal of assets (net book value)</b> <b>Write off of bad debts</b>	Up to £10,000 per transaction	Chief Financial Officer or Chief Executive Officer	Report to Finance and Resources Committee
	£10,001 to £40,000	Chief Executive Officer	Report to Finance and Resources Committee
	Over £40,000	Finance and Resources Committee	Report to Full Trust Board
<b>Write off of bad debts</b> <b>Granting or take up of any leasehold or tenancy agreement exceeding three years</b>	Over £10,000 up to £45,000 / 1% of total income	Finance and Resources Committee	Report to Full Trust Board
	Over £45,000 per transaction or £250,000 in total	ESFA approval required	
	Any	ESFA approval required	
<b>Raising invoices to collect income</b>	Any	Business / Finance Manager / Finance Officer / Finance Assistant	
<b>Any Borrowing</b>	Any	ESFA approval required	
<b>Special payments – staff severance and compensation</b>  <b>Ex gratia payments</b>	Under £50,000	Finance and Resources Committee	
	Over £50,000	ESFA approval required	

### Implementation

Implementation of this Policy will be the responsibility of the Chief Financial Officer, who will act on behalf of the Trust in all matters relating to the Financial Regulations and Procedures.

### Communication

This policy will be circulated to appropriate staff across the trusts academies and is also available on the Potteries Educational Trust website.

### Monitoring

The responsible manager named on the front of this policy is responsible for ensuring that this document is kept up to date and revised as appropriate, seeking management and/or Trustee approval in advance of the review date so that a new version can be communicated to staff and stakeholders in a timely fashion.

## Associated Information and Guidance

This financial policy has been prepared in line with The Potteries Educational Trust's scheme of delegation and the ESFA Academy Trust Handbook

Scheme of Delegation: <https://www.potteries.ac.uk/wp-content/uploads/PET-Scheme-of-Delegation-v3-April-2019-Final.pdf>

ESFA Academy Trust Handbook 2021:  
[ATH 2021 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)