



## CITY OF LONDON ACADEMIES TRUST

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### FINANCE POLICY

Responsibility:	Chief Financial Officer
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## 1. INTRODUCTION

- 1.1 The purpose of this policy is to ensure that the City of London Academies Trust (CoLAT or the Trust) 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 agreements with the Department for Education (DfE).
- 1.2 The Trust must comply with the principles of financial control outlined in the academies guidance published by the DfE, most notably the current **Academies Financial Handbook**.
- 1.3 This policy should be read in conjunction with the following other Trust policies:
  - a. Pay Policy
  - b. Investment policy
  - c. Reserves policy
  - d. Procurement and Tendering policy
  - e. Charging and remissions policy
  - f. Whistleblowing policy
  - g. Scheme of Delegation
  - h. Gifts and Hospitality

## 2. ORGANISATION, ROLES AND RESPONSIBILITIES

- 2.1 The Trustees have defined the responsibilities of each person involved in the administration of the Trust finances. These are laid out in the funding agreements between the Trust and the DfE, the Trust's Scheme of Delegation and the Terms of Reference of:
  - the Board of Trustees;
  - the Local Governing Body of each Academy; and
  - the subcommittees within each Academy.
- 2.2 Members of the Trust Board, members of the Local Governing Bodies and subcommittees and Management across the Trust and each of the Academies will have regard to: -
  - The current Education and Skills Funding Authority (ESFA) Academies Financial Handbook
  - Minimum standards of financial management as set out in the DfE/Master Funding Agreement
  - Advice and guidance relating to the financial performance of the Trust arising from the work of Ofsted, internal audit and external audit providers, and other interested parties.
- 2.3 The Trust believes that staff should be able to raise concerns properly, in confidence and without prejudice to their personal position. Where appropriate, this will include an opportunity to raise concerns outside the line management structure, in accordance with the Trust's **Whistleblowing Policy**.
- 2.4 The Chief Executive Officer of the Trust is the Trust's Accounting Officer as defined by the current Academies Financial Handbook and will fulfill the role and responsibilities as defined in the Handbook.

- 2.5 The Chief Financial Officer (CFO) of the Trust is the Trust's Chief Financial Officer as defined by the current Academies Financial Handbook and will fulfill the role and responsibilities as defined in the Handbook.
- 2.6 Each Academy must have a designated Head of Finance who is responsible for the finance function within the Academy. This role will be fulfilled by the CFO for the central MAT team.

### **Separation of Duties**

- 2.7 In order to reduce the risk of error or intentional manipulation, the roles and responsibilities of members of staff with finance responsibilities in each Academy and in the central MAT team will be structured to ensure the separation of those responsibilities or duties which would, if combined, enable one individual to record and process a complete transaction.
- 2.8 Wherever possible the following duties will be separated:-
  - authorisation – of a transaction such as a purchase order or payment;
  - execution – the placing of an order, receiving of goods and services;
  - custody – the holding of goods and services;
  - recording – the completion of accounting records.

### **Staffing of the Finance Functions**

- 2.9 The appointment of staff should be made with due regard to the qualifications and capabilities commensurate with their duties. Inevitably, the proper functioning of any system depends on the competence and integrity of those operating it. The qualifications, experience and personal qualities of those involved with financial arrangements are important features of an effective control system.
- 2.10 Consequently, each Academy and the central MAT team should establish procedures to ensure that: -
  - Personnel are competent, suitably qualified and trained to perform at a level commensurate with their responsibilities;
  - Training needs and opportunities for staff, particularly for those with financial responsibilities, are reviewed on a regular basis;
  - Clear statements of criteria for personnel selection and formal job descriptions are maintained;
  - Finance staffing levels are adequate; and
  - There are effective arrangements in place to deal with the absence of key financial personnel to ensure the effective operation of the finance function and to ensure that financial control is maintained.

### **Human Resources and Payroll**

- 2.11 Each Academy and the central MAT team will, where possible, allocate duties to ensure that an appropriate division of duties exists in the area of completing, checking and authorising of all documents and claims relating to appointment and termination of employment, employment expenses and the processing and authorisation of the payroll.

2.12 Payroll transactions will be processed only through the approved payroll system. Payments for employment will not be made to staff or visiting lecturers etc. through any other mechanism. Each Academy and the Central MAT team must ensure it has procedures in place to meet the monthly payroll timetable and deadlines so that employees are paid accurately and on time, and the costs are recorded in the accounting system on a timely and accurate basis.

2.13 All salary payments are made by BACS.

### **3. BUDGET MANAGEMENT PROCEDURES**

#### **Accounting System**

3.1 All financial transactions must be recorded in each Academy's Accounting System. This must include:

- System access
  - a. Entry to the system is password restricted and the Head of Finance must ensure a system is in place for passwords to be changed regularly.
  - b. Each user of the system must have only an appropriate level of access within the system as determined by the Head of Finance in the Academy.
- Effective back-up procedures and a disaster recovery plan in place
- Appropriate authorisation of all transactions, as determined by the Head of Finance in each Academy
- Regular review of appropriate reports from the system to ensure accurate recording of transactions and to identify any irregular postings.**Financial Planning Process**

3.2 Each Academy and the Central MAT team must produce a detailed budget for each academic year, along with budgets for at least the following 2 years, in accordance with the Trust's reporting timetable. The projections should include both revenue and capital funds, income from all sources and all planned expenditure. The budget should also show the planned use of any reserves brought forward. The format of the budget will be agreed between the CFO and the Academy's Head of Finance.

3.3 The budget must support the Academy's and the Trust's priorities for raising standards and attainment.

3.4 Each Academy's Improvement Plan for raising education outcomes, its curriculum and its budget need to be closely linked so that the Academy can weigh up whether it has enough funds to pay for the activities that it believes are necessary to achieve its education objectives. Also, it will be easier to show value for money if objectives within the plan have been achieved within the budgetary constraints.

3.5 The budget for each Academy and the Central MAT team must be approved in accordance with the Terms of Reference of the Local Governing Body and the Trust Board.

3.6 The consolidated Trust budget must be approved by the Trust Board and submitted to the ESFA in July each year in accordance with the ESFA's reporting timetable. The CFO and Heads of Finance in each of the Academies must work together to establish a timetable for local and central approvals of

the budget so that the ESFA submission deadline can be met.

### **Budget Monitoring during the financial year**

- 3.7 Each Academy will prepare a monthly budget monitoring report for review by its Local Governing Body or relevant subcommittee in accordance with the relevant Terms of Reference. The format and content of this report will be determined locally. The report must show a comparison of expenditure and income to the approved budget. Expenditure and income should be broken down into those sums actually spent, sums already committed and the amounts of expenditure and income which are planned but to which the Academy is not yet committed. The report should show, as accurately as possible, the forecast year end position. The report should also include relevant key financial performance indicators. These KPIs should be determined locally at the beginning of the financial year and reported each month.
- 3.8 Each Academy must also prepare a balance sheet and 12-month cash flow forecast each month for review by its Local Governing Body or relevant subcommittee in accordance with the relevant Terms of Reference. The format and content of this report will be determined locally.
- 3.9 Each Academy will also prepare and submit a monthly budget monitoring report, balance sheet and 12-month cash flow forecast to the Central MAT finance team. The form and content of these reports will be agreed between the CFO and the Academy's Head of Finance.
- 3.10 The central MAT team will prepare a Trust-wide budget monitoring report, balance sheet and 12-month cash flow forecast each month to be shared with the board of Trustees. The latest of these reports will also be submitted to each of the Trust's Finance, Audit and Risk Committee meetings during the financial year. The form and content of these reports will be agreed between the CFO and the Chair of Trustees. These reports should also include relevant key financial performance indicators. These KPIs should be determined by the Trustees at the beginning of the financial year and reported each month.
- 3.11 The consolidated Trust Budget Forecast Outturn Return (BFRO) must be approved by the Trust Board and submitted to the ESFA in May each year in accordance with the ESFA's reporting timetable. The CFO and Heads of Finance in each of the Academies must work together to establish a timetable for local and central approvals of the BFRO so that the ESFA submission deadline can be met.

### **Financial Review Meetings**

- 3.12 Each year each Academy will be required to attend a Financial Scrutiny/Review Meeting. These meetings will involve the Headteacher/Principal, Chair of Local Governing Body/Finance subcommittee and Head of Finance of each Academy presenting key financial documents to the Chief Financial Officer, the Chief Executive and the Chair of CoLAT Finance, Audit and Risk Committee.
- 3.13 CoLAT audit takes place in November each year so it is important that the financial scrutiny check happens prior to the audit procedure and following the ESFA funding letter and budgeting process. For this reason it is proposed that this would happen in June/July each year.
- 3.14 The academy will be required to present an analysis of financial risk incorporating the following documentation:

- A projected budget out-turn for the current financial year
- A detailed 3-year budget forecast for the following three years with a summary of key assumptions
- A 12-month (Sept-Aug) cash flow forecast for the following financial year
- A breakdown of current reserves and a summary of the forecast reserves position over the next 3 years with an explanation of proposed use
- A 5-year capital plan summarizing key areas of spend and how funded
- The current risk register for the Academy
- A report on investments held and the performance of those investments
- A brief bench-marking report

### **Value Added Tax (VAT)**

- 3.15 Under DfE regulations for Academies, VAT can be recovered on all expenditure, revenue and capital where VAT has been charged by the provider of the goods or service. Likewise, Academies must levy VAT on income if appropriate.
- 3.16 All transactions, expenditure and income, must be appropriately coded to the correct VAT rate when entered into the accounting system. This is essential to ensure that Input VAT (expenditure) can be offset to Output VAT (income) on a monthly VAT report to be submitted to the HMRC.

## **4. VALUE FOR MONEY, PURCHASING AND PAYMENTS**

- 4.1 The Board of Trustees recognises the principles of Value for Money and aims to achieve best value for money from all its purchases.
- 4.2 The Head of Finance in each Academy and the Central MAT team must ensure that all purchases (revenue and capital) are made in accordance with:
- The current Academies Financial Handbook
  - The Trust's Scheme of Delegation
  - The Trust's Procurement and Tendering Policy
  - The Terms of Reference of the Local Governing Body and its subcommittees
  - Locally approved levels/limits of authority in place at the Academy (Appendix A)
- 4.3 The Register of Business Interests should be formally referred to prior to the acceptance of quotations or the awarding of contracts.
- 4.4 The procedures for revenue and capital purchasing (to include delegating budgets to budget holders, raising orders for goods and services, processing invoices and credit notes and payment of suppliers) will be defined locally at each Academy ensuring appropriate levels of authority, required approvals and segregation of duties, and accurate recording of all transactions including accruals and commitments. In all cases where purchases are being made using Restricted Funds of any sort, the expenditure must not include alcohol.
- 4.5 Any new goods or services purchased from a related party must be declared to the ESFA using the related party transactions online form. Prior approval must be sought from the ESFA when

- a single contract or agreement with a related party exceeds £20,000
- a contract or agreement of any value means the total value of contracts or agreements with the same related party exceeds £20,000 in a financial year

## Goods and Services for Private Use

**4.44.6** The Trust will avoid practices such as obtaining goods and services that may include an element of private use for Trustees, members of LGBs and subcommittees or staff. Trustees, members of LGBs and subcommittees and staff will also avoid accepting excessive hospitality, entertainment, or other services from existing or prospective suppliers.

## 5. INCOME AND SUNDAY DEBTORS

### General Income Matters

- 5.1 The Head of Finance in each Academy and the Central MAT team is responsible for the correct accounting of all income due to, and cash collected by, the Academy. Where possible, the Head of Finance will ensure that the responsibility for determining sums due to the Academy is separated from the responsibility for collecting and banking such sums.
- 5.2 The procedures for managing income will be defined locally at each Academy ensuring appropriate levels of authority, required approvals and segregation of duties, and accurate recording of all transactions including debtors and accrued income.
- 5.3 Where invoices are to be raised, the Academy will do so promptly using authorised Academy invoices. The invoice will clearly detail the service or goods provided, the settlement date and the payment required.
- 5.4 Where cash is collected, whether it is due to a fund provided by the ESFA, fund raising or donations, or an unofficial fund, a receipt will be issued. In agreed circumstances such as when collecting monies for an activity for a group of pupils, Cash Collection listings will be used and a single receipt given for the group income. The receipt books will be those approved by the Academy and include VAT, where appropriate.
- 5.5 Cash and cheques collected will be kept secure until the time of banking. Income collected will be banked in its entirety as promptly as possible and will not be used to cash personal cheques or for other payments (other than the official Petty Cash).
- 5.6 Sums received will be reconciled to the sums banked and to the accounting system to ensure that sums banked to the individual Academy and/or Trust bank account are attributed to the correct entity.

### Debt monitoring and Debt recovery

- 5.7 All debts will be monitored at regular monthly intervals, via an "Aged Debtor report" in the accounting system or an appropriate manual record. The procedures for managing and chasing debts will be defined locally at each Academy.

## Bad Debt Write Off

- 5.8 All debts, regardless of age, should still be attempted to be collected, and will remain as a bad debt until it is written off.
- 5.9 Any write off of bad debts must be in accordance with:
  - The current Academies Financial Handbook
  - The Trust's Scheme of Delegation
  - The Terms of Reference of the Local Governing Body and its subcommittees
  - Locally approved levels/limits of authority in place at the Academy
- 5.10 Any debts written off must be reported to the Trust CFO.

## **6. BANKING ARRANGEMENTS**

### **Opening of Bank accounts**

- 6.1 The opening of all bank accounts must be authorised by the Trust Board on receipt of a summary of the arrangements covering the operation of the account and who the signatories will be.
- 6.2 The operation of systems such as Bankers AutoTrustic Clearing System (BACS) and other means of electronic transfer of funds should also be subject to the same level of control.
- 6.3 No bank account should become overdrawn since Academies are prohibited from borrowing in this way.
- 6.4 The procedures for managing and handling cash (to include processing and authorisation of BACS and cheque payments, management/checking of bank reconciliations, petty cash procedures and use of 'cashless' systems such as ParentPay) will be defined locally at each Academy ensuring appropriate levels of authority, required approvals and segregation of duties, adequate security of all cash, and accurate recording of all transactions.

### **Payments and Withdrawals**

- 6.5 There must be robust controls over all ways in which funds may be drawn from accounts, including such operations as standing orders, direct debit mandates, BACS payments and salary payments.
- 6.6 Mandates must be held by the Trust's bankers detailing the arrangements above together with clear instructions that the Trust's bank accounts must not become overdrawn.
- 6.7 The Controls must exist over electronic withdrawals and electronic transfer of funds, including BACS and direct banking links such as telephone banking or computer banking e.g. for payroll purposes or the investment of surplus funds or other transfers of funds between accounts.
- 6.8 Cancelled cheques should be defaced and retained.
- 6.9 If payments are to be made by BACS transfer, the Academy must ensure that the details of the

receiving bank account are correct and that there are controls in place to guarantee the accuracy and authenticity of the transaction.

### **Reconciliation of Bank Accounts**

- 6.10 At each Academy and in the Central MAT team, bank statements must be reviewed, thoroughly checked and formally reconciled to the accounting system at least monthly. The reconciliation report must be retained on file with each Bank Statement, and printouts of outstanding debits and credits should be attached to the reconciliations.
- 6.11 Un-presented cheques over 6 months old should be written off.

### **Cash flow forecasts**

- 6.12 The Head of Finance in each Academy and the Central MAT team is responsible for reviewing the cash balances and preparing cash flow forecasts to ensure that there are sufficient funds available to pay for day to day operations. If significant balances can be foreseen, steps should be taken to invest the surplus funds. Similarly plans should be made to cover potential cash shortages.

## **7. SECURITY OF ASSETS**

### **Letting of Trust Premises**

- 7.1 The letting of Trust Premises and Grounds should always be subject to a formal contract, even when the Hirer or User is connected to the Trust. A detailed **Lettings Policy** together with charges should be approved locally at each Academy.

### **Insurance**

- 7.2 The Trust will opt in to the Risk Protection Arrangement (RPA) for Academy Trusts with each Academy insuring any additional risks not covered by the RPA independently with a commercial insurer if required.
- 7.3 The Head of Finance of each Academy will review the insurance needs of their Academy annually and liaise with the Central MAT team where appropriate to ensure that specific arrangements remain appropriate.
- 7.4 The Local Governing Body of each Academy will periodically consider whether to insure risks that are not covered by the RPA. The cost of premiums for any additional cover should be met from the Academy's delegated budget.
- 7.5 The Head of Finance of each Academy will be responsible for ensuring that the Local Governing Body are made aware of all new risks, and all incidents which may give rise to an insurance claim (e.g. accident, theft etc.).
- 7.6 Any potential or actual insurance claims should be reported immediately by an Academy to the insurers, their Local Governing Body and the Trust CFO.

## **Computer Systems**

- 7.7 The Board of Trustees recognise the importance of protecting computerised financial management systems and the data held therein. The CFO will ensure that the Trust is registered in accordance with the Data Protection Act 2018.
- 7.8 The Head of Finance in each Academy and the Central MAT team will ensure that effective backup procedures are in place and that all back-up disks or tapes are stored securely.
- 7.9 Access to Trust and Academy management computer systems will be limited to authorised staff. These staff will use passwords which should not be disclosed and should be changed regularly. Only authorised software will be used to prevent the import of computer viruses. Staff will only have access to those modules appropriate to their duties.
- 7.10 Each Academy will have an appropriate IT user policy in place and agreements in place for both staff and pupils using the computer systems.

## **Security of Stocks and Other Property**

- 7.11 The Head of Finance in each Academy is responsible for the care and custody of all assets within the Academy and will ensure procedures are in place for the maintenance and proper security for all buildings, vehicles, plant, stocks, stores, furniture, equipment, keys and cash.
- 7.12 The Head of Finance in each Academy will ensure that a register of assets / inventory is maintained in accordance with the provisions of the current Academies Financial Handbook. Inventories will be checked as appropriate and any discrepancy shall be investigated.
- 7.13 An inventory should: -
  - form an important part of the Academy's procedures for ensuring that staff take responsibility for the safe custody of assets;
  - enable Academy management to undertake independent checks on the safe custody of assets, as a deterrent against theft or misuse;
  - help the Academy to manage the effective utilisation of its assets and to plan for their replacement;
  - support insurance claims in the event of fire, theft or other losses.
- 7.14 The CFO will advise the Head of Finance in each Academy on the Asset Management reporting required by the ESFA, and the financial accounting of asset depreciation.

## **8. GENERAL**

### **Register of Business Interests**

- 8.1 The Board of Trustees, members of Local Governing Bodies and subcommittees and Trust staff all have a responsibility to avoid any conflict between their business and personal interests and affairs and interests of the Trust. A Register of Business Interests will be maintained for Board Members, Local Governing Bodies and subcommittees and staff with an influence over spending decisions.

- 8.2 Each register will include all business interests such as directorships, share-holdings and other appointments of influence within a business or other organisation, which may have dealings with the Trust. The disclosures should also include business interests of relatives and other individuals who may exert influence.
- 8.3 The Clerk to the Board, on behalf of the Board of Trustees must maintain a register of pecuniary / business interest forms for each member of the Board of Trustees and the CEO recording business interests. The register must be kept up to date with notification of changes and through a recommended annual review of entries. The Board of Trustees will ensure that all members of staff are aware of the responsibilities for declaring any links or personal interests which they have with regard to contractors and suppliers. The Head of Finance in each Academy will maintain, in a suitable form, a record of the details of those members of staff who declare any links or personal interests which they have with contractors and suppliers.

#### **Gifts and Hospitality Register**

- 8.4 The gift and receipt of gifts and hospitality is addressed in the Trust's Gifts and Hospitality policy.
- 8.5 A register will be maintained by the Head of Finance in each Academy to record all particulars of gifts and hospitality.

**APPENDIX A - LOCAL LEVELS OF AUTHORITY FOR PURCHASING**

[FOR DECISION AND APPROVAL BY LOCAL GOVERNING BODIES]

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