



# Policy and Procedure: Finance Policy

## 1. Background

1.1 The purpose of this policy and associated procedures is to ensure that the Bishop Anthony Education Trust ("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 the Trust's Funding Agreement 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. This policy expands on that and provides detailed information on the Trust's accounting procedures. It should be read by all staff involved with financial systems.

1.3 The policy covers finance related policies such as depreciation, Trust companies, reserves, investments, charging and remission, staff expenses and directors' expenses.

1.4 This policy relates to all of the Trust's academies. Adherence to the principles and procedures contained in this policy is mandatory for all staff.

1.5 This policy is designed to be consistent with:

- EFA Financial Handbook
- Trust Articles of Association / Constitution
- Master and Supplemental Funding Agreements
- HM Treasury's "Regularity, Propriety and Value for Money".

This Policy also contains the following appendices:

1. Appendix 1 Financial Authorisation Limits
2. Appendix 2 Tendering
3. Appendix 3 Accounting Policies

## 2. Organisation

### GAG EFA

2.1 The Trust receives the GAG, amount agreed by the EFA, for each of its academies in twelve monthly instalments. A Percentage is "top-sliced" to cover central services. The balance is delegated to the individual school.

2.2 The Trust has defined the responsibilities of each person involved in the administration of the Trust finances to avoid the duplication or omission of functions and to provide a framework of accountability for directors and staff. The financial reporting structure is outlined below:



## Trust Board of Directors

2.3 The Board of Directors of the Trust has overall responsibility for the administration of its academies' finances and the effectiveness of internal controls. The main responsibilities of the Board are prescribed in the Trust Articles of Association, its Constitution and in the Funding Agreement between the Trust and each of its academies with the Department for Education (DfE). These responsibilities in relation to financial matters include:

### 2.3.1 Trust Board of Directors

The Board is responsible for ensuring that high standards of corporate governance are maintained, addressing such matters as:

- finance policy development and strategic planning;
- ensuring sound management and administration of the Trust and its academies and ensuring that managers are equipped with relevant skills and guidance;
- ensuring compliance with general legislative requirements;
- establishing and maintaining a transparent system of prudent and effective internal controls;
- management of the Trust's financial, human and other resources;
- monitoring performance and the achievement of objectives and ensuring that plans for improvement are acted upon;
- setting the Trust's standards of conduct and values;
- assessing and managing risk, (including the preparation of a statement on academies risk management, for its annual report and accounts);
- to hold to account each Principal and their staff.

### 2.3.3 Audit Committee

The committee is responsible for scrutinising the Trust and Academy budgets and finance, internal controls systems and risk management arrangements, most particularly by:

- assisting to promote the highest standards of propriety in the use of public funds and encourage proper accountability for the use of those funds
- improving the quality of financial reporting by reviewing internal and external financial statements on behalf of the Board;
- promoting a climate of financial discipline and control which will help to reduce the opportunity for financial mismanagement; and
- promoting the development of internal controls and risk management systems which will help satisfy the Board that the Trust and its Academies will achieve their objectives and targets and are operating:
- in accordance with any statutory requirements for the use of public funds;



- within delegated authorities laid down by Board of Directors;
- in a manner which will make most economic and effective use of resources available.

### **The Chief Executive Officer/Accounting Officer**

2.4 The Chief Executive Officer (CEO) may delegate to the Accounting Officer the responsibilities as described in HM Treasury's "Regularity, Propriety and Value for Money". The Accounting Officer has personal responsibility for the propriety and regularity of the public finances for which he / she is answerable. It must be ensured that, in considering proposals relating to the expenditure or income for which they have responsibilities, all relevant financial considerations are taken into account and full regard is had to any issues of propriety or regularity. The AO reports back to the CEO.

2.4 The main responsibilities of the CEO/AO include:

- the development of the annual budget;
- the development of medium term financial planning
- the regular monitoring of actual expenditure and income against budget;
- ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 1985 and the DfE guidance issued to academies;
- Ensuring that the regular reports provided to the Board are timely and accurate;
- authorising orders and the award of contracts within the approval limits shown in Appendix 1;
- authorising payments within the approval limits shown in Appendix 1
- authorising changes to the Trust's personnel establishment.

### **The Trust's Principals**

2.5 Within the framework of the Trust's Development Plan, each academy Principal has overall executive responsibility for the academy's activities including financial activities. Much of the financial responsibility has been delegated to the Finance Director and staff with responsibility for finance but the Principal still retains responsibility for:

- approving new staff appointments within the authorised establishment, except for any senior staff posts which the Board of Directors have agreed should be approved by them;
- authorising orders and the award of contracts within the approval limits shown in Appendix 1;
- authorising payments within the approval limits shown in Appendix 1;
- ensuring the delivery of the academy annual budget as approved by the Trust;



- monitoring the regular budget reports with the Business Manager and acting on overspends or risk.

### **The Finance Director**

2.6 The Finance Director works in close collaboration with the CEO/AO through whom he or she is responsible to the Trust board. The Finance Director has direct access to the Board. The main responsibilities of the Finance Director are:

- the management of the Trust's financial position at a strategic and operational level within the framework for financial control determined by the Board;
- the maintenance of effective systems of internal control;
- ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of each academy;
- the preparation of budgets and medium term financial plans
- ensuring returns to EFA and other funding agencies completed correctly and on time
- ensuring returns to statutory agencies are completed
- cash flow and treasury management including managing investments
- functional management of Academy Business Managers (under a matrix management approach with academy line manager)
- authorising orders and the award of contracts within the approval limits shown in Appendix 1;
- authorising payments within the approval limits shown in Appendix 1.

### **The Business Manager**

It is envisaged that each academy will have a Business Manager or a person who undertakes that role albeit with a different job title

2.7 The Business Managers work in close collaboration with the Finance Director. The main responsibilities of the Business Manager are:

- the day to day management of financial issues
- the preparation of monthly management accounts;
- authorising orders and the award of contracts within the approval limits shown in Appendix 1;
- authorising payments within the approval limits shown in Appendix 1.
- Ensuring that financial controls are working effectively at academy level

### **Internal Audit**

2.8 The Internal Auditors are appointed by the Board (through the Audit Committee) and provide Directors with an independent oversight of the financial affairs. The main



duties of the Internal Auditors are to provide the Board with independent assurance that:

- the financial responsibilities of the Board are being properly discharged;
- resources are being managed in an efficient, economical and effective manner;
- sound systems of internal financial control are being maintained and
- financial considerations are fully taken into account in reaching decisions.
- risks are identified and appropriate actions put in place

2.9 The board will appoint internal auditors as required (see AFH September 2014) to undertake a regular programme of reviews to ensure that financial transactions have been properly processed and that controls are operating effectively. A report of the findings from each visit will be provided to the Audit Committee for review.

### **Other Staff**

2.10 Other members of staff, primarily Finance Officers/Admin Assistants and budget holders, will have some financial responsibilities and these are detailed in the following sections of this policy.

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

### **Conflict of Interest**

2.11 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 Trust directors and senior staff are required to declare any financial interests they have in companies or individuals from which the Trust may purchase goods or services. The register is open to public inspection.

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

2.13 The existence of a register of business interests does not detract from the duties of directors and staff to declare interests whenever they are relevant to matters being discussed by the board or a committee. Where an interest has been declared, directors and staff should not attend that part of any committee or other meeting.

## **3. Accounting system**

3.1 The Academy Trust uses PS Financial Systems (PSF) at all its academies. All financial transactions of the Trust must be recorded on this system.

### **System Access**



3.2 Entry to the PSF accounting system is password restricted and the Finance Director is responsible for implementing a system which ensures that passwords are changed at least every monthly.

3.3 Access to the component parts of the system can also be restricted and the Finance Director is responsible for setting access levels for all members of staff using the system.

**Back-Up Procedures**

3.4 The finance director is responsible for ensuring that there are effective back-up procedures for the system on the cloud.

**Transaction Processing**

3.5 All transactions input to the accounting system must be authorised in accordance with the procedures specified in this policy. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are identified in the associated operational system procedures.

**Reconciliations of Balance Sheet Accounts**

3.6 The appointed finance personnel are responsible for ensuring the following reconciliations are performed routinely, and that any reconciling or balancing amounts are cleared:

• sales ledger control account	quarterly
• purchase ledger control account	monthly
• payroll control account	monthly
• all suspense accounts (none)	monthly
• accruals and prepayments	monthly
• bank balance per the nominal ledger	monthly within 5 working days to the bank statement.

**4. Financial Planning**

4.1 The Trust and each academy will prepare both medium term and short-term financial plans. Medium term is defined as a period of three years

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

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

**Development Plan**

4.4 The Development Plan is concerned with the future aims and objectives of the Trust and each academy and how they are to be achieved; the Trust will set overall Core Objectives which will be turned into specific objectives for each Academy. The





Development Plans will ensue that the Trust's objectives and targets are matched to the resources expected to be available. Plans should ideally be simple and flexible.

4.5 The form and content of the Development Plan will be set by the CEO and due regard should be given to any annual guidance issued by the DfE.

#### Annual Budget

4.6 The Finance Director is responsible for working with the Principals, the Business Managers and others to prepare a draft annual budget for consideration by the CEO. The CEO is responsible for the approval of the budget by the Board of Directors.

4.7 The approved budget must be submitted to the DfE by the specified date, and the Finance Director is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met. A Financial Calendar will be prepared which details all the submission dates required by the EFA.

4.8 The annual budget will reflect the best estimate of the resources available to the academy for the forthcoming year and will detail how those resources are to be utilised. There should be a clear link between the Action Plan objectives and the budgeted utilisation of resources.

#### Balancing the Budget

4.9 Each Academy should set a balanced budget, taking into account the current level of reserves, medium term projections and the need to invest to meet the longer term business plan.

#### Finalising the Budget

4.10 Once the different options and scenarios have been considered, a draft budget should be prepared by the Finance Director for approval by the CEO, Audit committee and the Board. The budget should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.

#### Monitoring and Review

4.11 Monthly reports will be prepared by the Business Managers, supported by the Finance Director. The reports will detail actual income and expenditure against budget for budget holders and at a summary level for the CEO, Principals, Finance Director, Local Governing Body and Board of Directors.

4.12 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. Monthly management accounts will always include a latest financial forecast for the year. The variance from the budget identifies the virements

4.13 If a budget overspend is forecast it may be appropriate to vire money from another budget or from the contingency. All budget virements must be authorised as shown in Appendix 1.



## **5. Payroll**

5.1 The main elements of the payroll system are:

- staff appointments;
- payroll administration and payments.

### Staff Appointments

5.2 As part of the annual budget process, the Trust Board will approve a staff establishment for the trust and academies. Substantial changes (e.g. the addition of permanent full time posts) can only be made to this establishment with the express approval in the first instance of the CEO who must ensure that adequate budgetary provision exists for any establishment changes.

5.3 Where changes are in line with agreed budgets and in line with the approved Academy Development Plan, Principals have authority to change the FTE size or scope of posts within their Academy - these changes will be included in the Principal's report to the Local Governing Body.

5.4 The CEO and Principals have authority to appoint staff within the authorised establishment except for the roles of Principals where other Trust directors may be involved. The CEO will approve all appointments to the senior leadership team of the Trust.

### Payroll Administration and Payments

5.5 Payroll is currently outsourced and the approval of the Finance Committee is needed to change any such arrangements.

5.6 The Trust has a Pay Policy and all changes to pay must be consistent with this. Any variations to this must be raised with the CEO.

5.7 The monthly payroll must be approved by the Business Manager prior to payments being made and reviewed subsequently by the Finance Director.

5.8 All severance payments must be approved by the Chief Executive

## **6. Procurement**

6.1 The Trust wants to achieve the best value for money from all its purchases. This means getting goods at the correct quality, quantity and time at the best price possible. A large proportion of purchases will be paid for with public funds and there is a 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 Trust;
- Accountability, the Trust is publicly accountable for its expenditure and the conduct of its affairs;
- Fairness, that all those dealt with by the Trust are dealt with on a fair and equitable basis.





It is particularly important in the case of the Trust that any tenders where a Trust director may have a conflict of interest are managed with utmost probity.

#### Routine Purchasing

6.2 Budget holders will be informed of the budget available to them at least one month before the start of the academic year. It is the responsibility of the budget holder to manage the budget, working with the Business Manager, and to ensure that any expenditure is consistent with the objectives of the academy.

6.3 Appropriate authorisation limits are reviewed annually and approved by the Trust's Board (see Appendix 1).

6.4 It is necessary to take the principles of best value into account at all times although this is not necessarily the lowest cost. An explanation will need to be provided when the lowest cost quotation or tender is not accepted.

6.5 Procurement routes are outlined in Appendix 2

#### Forms of Tenders

6.6 Details of forms of tenders and how to run a tender process are included in Appendix 2.

#### Charge Cards

6.7 Where credit cards and purchasing cards are used, procedures for the authorisation of expenditure using purchasing cards are identified.

### **7. Income**

7.1 The main sources of income for the Trust are the grants from the DfE / EFA. The receipt of these sums is monitored directly by the Finance Director who is responsible for ensuring that all grants due to the Trust are collected.

7.2 Grant funding is received from sources such as the local county and borough councils for a variety of purposes including SEN funding

7.3 The Trust also obtains income from:

- students, for example trips, activities, uniforms, school dinners
- the public, mainly for lettings.

#### Trips

7.4 Each academy has a specific procedure on Trips. A designated staff member must be appointed for each trip to take responsibility for the collection of sums due. The appointment must be approved by the Business Manager.

The designated staff member will be responsible for estimating the costs, ensuring the cash is collected, producing a reconciliation etc.



## Lettings

7.5 Letting and hire of the Trust facilities will be conducted in line with the Lettings Policy for each academy which includes a scale of charges, which will be reviewed annually.

## Custody

7.6 Monies collected should be held securely in the individual academy's office safe and should be banked and reconciled promptly.

## **8. Cash Management**

### Bank Accounts

8.1 The opening of all accounts must be authorised by the CEO and Finance Director who will set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. The operation of systems such as Bankers Automatic Clearing System (BACS) and other means of electronic transfer of funds must also be subject to the same level of control.

### Payments and withdrawals

8.2 All cheques and other instruments authorising withdrawal from the Trust bank accounts must bear the signatures of authorised signatories as listed in Appendix 1.

This provision applies to all accounts, public or private, operated by or on behalf of the Board of Directors of the Trust. At least one of the cheque signatories must not sign a cheque relating to goods or services for which they have also authorised the expenditure.

### Administration

8.3 All bank accounts must be reconciled monthly and checked by the Business Manager, within five working days of month end. The Finance Director will periodically review the bank reconciliations

### Petty Cash Accounts

8.4 Each academy will set a maximum cash balance agreed with the Trust.

### Deposits

8.5 The only deposits to petty cash should be from cheques cashed specifically for the purpose.

### Payments and Withdrawals

8.6 In the interests of security, petty cash payments will be limited as shown in Appendix 1. Higher value payments should be made by cheque or BACS directly from the main bank account as a cash book payment.



## Administration

8.7 Petty Cash accounts will be reconciled monthly and all transactions recorded on the accounting systems monthly.

## Cash Flow Forecasts

8.9 The Finance Director is responsible for preparing monthly cash flow forecasts for twelve months ahead to ensure that the academy has sufficient funds available to pay for day to day operations. If significant balances can be foreseen, steps should be taken to invest the extra funds. Similarly plans should be made to transfer funds from another bank account or to re-profile the General Annual Grant (GAG) to cover potential cash shortages.

## 9. Fixed assets

9.1 All fixed asset additions, as identified in paragraph 9.2, must be approved by the Chief Executive and Finance Director

9.2 All expenditure on IT equipment, IT infrastructure and related IT developments must be approved by the Finance Director, who will liaise with the Chief Executive to ensure that investment is consistent with the Trust's overall IT strategy

### Asset register

9.3 All items purchased with a value over the academy's capitalisation limit of £2,000 must be capitalised. Expenditure in excess of £5,000 may also be capitalised even though the individual asset price is below £2,000. Assets below this value of £2000 will be charged to the income and expenditure in the year of purchase.

### 9.4 All assets

- with a value of over £500
- with a value below £500 but considered 'attractive' will be entered in the Asset Register.

Business Managers will review the Asset Register on a yearly basis to ensure completeness and identify any discrepancies. Any discrepancies over £1000 must be reported to the Trust's Finance Director.

### 9.5 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 Trust's financial system and
- support insurance claims in the event of fire, theft, vandalism or other disasters.



- security & disposal of assets. Detailed guidance is included in the associated procedures.

### Security of Assets

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

9.7 All the items in the asset register should be permanently marked as the Trust's property and there should be a regular (at least annual) count by someone other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to the Trust Finance Director. Inventories of Trust property should be kept up to date and reviewed regularly. Where items are used by the Trust but do not belong to it this should be noted.

### Loan of Assets

9.8 Items of Trust property, except work laptops or tablets, must not be removed from academy premises without the authority of the CEO.

9.9 If assets are on loan for extended periods or to a single member of staff on a regular basis the situation may give rise to a 'benefit-in-kind' for taxation purposes. Loans should therefore be kept under review and any potential benefits discussed with the Trust's auditors.

### Disposals

9.10 Items which are to be disposed of by sale or destruction must be authorised for disposal in accordance with the Finance Regulations in Appendix 1 and, where significant, should be sold following competitive tender. The Trust must seek the approval of the EFA in writing if it proposes to dispose of an asset for which capital grant in excess of £20,000 was paid.

9.11 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 licences for software programmes have been legally transferred to a new owner.

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

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

### Leases

9.14 The Trust is able to enter into operational leases as outlined in the Academies Financial Handbook

9.15 Finance leases are classed as borrowings and can only be entered into with the specific authority of the EFA.



9.16 All leases must be approved by the Finance Director.

## **10. Depreciation Policy**

10.1 The Trust will depreciate fixed assets in line with recognised accounting standards, best practice and DfE guidelines.

10.2 Depreciation rules will be approved by the board in advance of preparing the annual statements. The current policy is shown in Appendix 3.

## **11. Companies Policy**

11.1 The Trust will not form any companies, subsidiaries or joint ventures without the approval of the Board.

## **12. Reserves & Investments Policy**

12.1 The Trust will build and maintain a revenue reserve fund to provide flexibility and certainty in forward planning.

12.2 The current policy is for the Trust to hold revenue reserves equivalent to up to two months GAG funding.

12.3 All revenue reserves are controlled by the Trust Board including those transferred in upon conversion and cannot be spent without the approval of the Board

12.4 In accordance with EFA and charity accounting standards, the Trust will maintain financial records which identify revenue reserves by academy

12.5 The Trust will build and maintain a capital reserve fund in line with the reserves approved by the Board from time to time.

12.6 Reserve funds will be held on deposit in an interest bearing account in a UK regulated bank or in other instruments and investments as agreed from time to time by the Board.

12.7 The Trust will take a very prudent approach to any deposits or investments that it makes.

## **13. Charging & Remission Policy**

13.1 The Trust will ensure that educational opportunities provided at our schools are available to all students regardless of ability to pay and that other activities are charged for in a fair and transparent way. No student will be excluded from essential curriculum activities because of their parents' inability to pay.

The Charging and Remission Policy is designed to be consistent with the requirements relating to charging laid out in the Funding Agreement.

Academies may charge for some optional activities which take place wholly or mainly outside academy hours. The Trust may invite voluntary contributions for these from parents. Parents who wish to discuss financial matters are able to discuss them in confidence with the Principal.



In all cases, where a charge is made it will not exceed the costs of the provision.

#### **14. Staff Expenses**

14.1 In principle the Trust does not pay staff expenses which are incurred in their duties, however staff may claim for reasonable expenses provided these are agreed in advance with the audit committee. Reasonable expenses include:

- Use of own car and parking (excluding home to work travel);

Expenses and allowances will be paid back at current HMRC rates

14.2 The Finance Director will monitor claims to ensure compliance with this policy.

#### **15. Directors' Expenses**

15.1 As volunteers, directors and members of the Trust may claim for reasonable expenses incurred by him or her when acting on behalf of the Trust. This policy describes what expenses are allowed, and the process for making claims. Expenses are paid at current HMRC rates.

Reasonable expenses will include:

- Travel to attend meetings of the Trust board or Local Governing Body or their sub-committees;
- Meetings with authorities, regulators, auditors etc;
- Meetings with members of staff or prospective staff connected with their official duties;
- Other official meetings.

It is expected that Directors and members will wish to minimise the level of expenses claimed so that maximum resources can be applied to the core purposes of the Trust.

Directors and members may not claim for:

- Time spent working as a Director or Member
- Loss of earnings
- Food or refreshments
- Expenses in connection with foreign travel other than as allowed below.

#### **16. Tax**

16.1 The Trust will account for VAT strictly in compliance with the rules and regulations applicable at that time. It is the responsibility of the Finance Director to ensure compliance with VAT regulations.

16.2 The Finance Director will ensure that Corporation Tax returns are completed on time and in accordance with legislation.





16.3 Any payments to contractors and subcontractors are made in accordance with the Construction Industry Scheme.

## **17. Insurance**

17.1 The Trust reviews all risks annually to ensure the cover available and the sums insured are adequate.

17.2 The Trust will notify the insurers of any new risks or any other alterations affecting existing insurance.

17.3 The Trust will not give any indemnity to a third party.

17.4 The Trust will immediately advise the insurers of any accident, loss of other incident which may give rise to an insurance claim.

## **18. Bad Debts**

18.1 The procedures for debt recovery and for the write-off of any debt which is deemed to be irrecoverable will follow this guidance.

18.2 Wherever possible, income due will be collected before or at the time the relevant sale or service is provided. If this is not possible, an invoice will be issued.

18.3 Income from lettings will be collected in accordance with the Lettings Policy

18.4 All debts will be recorded and non-payment will be followed up by issuing reminders at the following intervals:

- 3 weeks from date of account - 1st reminder
- 6 weeks from date of account – final reminder

The final reminder is sent by recorded delivery and threatens legal action if the account is not settled within 14 days. After 10 weeks from the date of the account, where the debt is still outstanding, legal action may be considered, and the debtor will be informed of this in writing.

18.5 If, after every effort has been made to collect the debt and legal action is considered impractical or has been unsuccessful, individual bad (irrecoverable) debts may be written off in accordance with Financial Authorisations in Appendix 1 and in accordance with the guidance provided in the Academies Financial Handbook

18.6 To ensure sound internal control, staff who raise invoices, will not have the authority to write off debts. The VAT element of any debt must not be written off, as this contravenes HM Revenue & Customs statutory requirements.

18.7 The Trust will retain a Bad Debt Write-Off Summary.

## **19. Monitoring Outcomes & Review**

19.1 Outcomes will be monitored and reviewed by regular internal checks and scrutiny by senior management including an annual review with Business Managers and Finance Director.



19.2 Effectiveness of this policy and any associated procedures will also be monitored by the Audit Committee, supported by External Audit, including the Regularity Audit, and regular testing by Internal Audit. Audit results will be presented by regular written reports to the Audit Committee. Findings & recommendations will be used to revise this policy and associated procedures- this will be undertaken by referring any recommendations for changes to the Finance & Resources Committee

19.2 Key indicators of the success of this policy are:

- No inappropriate use of money
- Adherence to budgets
- Value for Money being demonstrated
- Expenditure targeted on key priority areas
- Timely reports to Board, DfE and others
- Up to date, accurate records.

**Appendix 1**

Bishop Anthony Education Trust

**Financial Authorisation Levels**

September 2014

**Summary of Financial Authorisation Levels**

Delegated Duty	Value	Delegated Authority
1. Ordering Goods and Services (raising requisitions)	All purchases must adhere to the financial authorisation levels set for each academy with the Trust.	All purchases must adhere to the financial authorisation levels set for each academy with the Trust.
2. Signatories for cheques and payment authorisations for individual academies (including BACS payments other than payroll)	Any	Two signatories from: - Principal - Vice-Principal - Business Manager - Accounting Officer
3. Signatories for cheques and payment authorisations for BAET	Any	Two signatories from: - Chief Executive - Accounting Officer - Finance Director
4. Payroll BACS	Any	Business Manager, reviewed by Finance Director
5. Signatories for DfE grant claims and DfE	Any	Two signatories from: - Chief Executive



returns for individual academies		- Accounting Officer - Finance Director - Business Manager
6. Signatories for DfE grant claims and DfE returns for MAT	Any	Two signatories from: - Finance Director - Accounting Officer - Chief Executive - a Board Director
7. Virement of budget provision between budget headings will reflect the arrangements set for each Academy.	Arrangements set for each Academy.	Arrangements set for each Academy.
8. Virement of funding between academies.	Any	Board of Directors
9. Disposal of assets	Up to £1000	Business Manager or Finance Director
9. Disposal of assets	£1001- £5000	Principal or Chief Executive
9. Disposal of assets	Over £5000	As above plus Finance & Resources Committee DfE approval required as appropriate for disposal of assets funded with DfE grant, or transferred from an LA at nominal consideration
10. Write-off bad debts	Up to £1,000	Business Manager or Finance Director
10. Write-off bad debts	Over £1,000	Chief Executive, with referral to the Finance & Resources Committee annually
11. Purchase or sale of any freehold property	Any	Board of Directors and DfE approval required
12. Granting or take up of any leasehold or tenancy agreement exceeding three years	Any	Board of Directors and DfE approval required
13. Raising invoices to collect income	Any	Business Manager
14. Petty Cash & Expense Claims	Against Budget Holders delegated budgets	Budget Holder
14. Petty Cash & Expense Claims	As above but Budget Holder is claiming	Business Manager



	<ol style="list-style-type: none"> <li>1. SMT</li> <li>2. Business Manager</li> <li>3. Director of Finance</li> <li>4. Principal</li> <li>5. Trust Appointments</li> <li>6. Chief Executive</li> <li>7. Governor or Director</li> </ol>	<ol style="list-style-type: none"> <li>1. Principal or Finance Director</li> <li>2. Principal</li> <li>3. Chief Executive</li> <li>4. Chief Executive</li> <li>5. Chief Executive</li> <li>6. Chair of Board of Directors</li> <li>7. Company Secretary</li> </ol>
15. Credit Cards	Finance Director	Principal
	Principal	Chief Executive
16. Purchasing Cards	All staff except Business Manager	Business Manager
	Business Manager	Principal

**Appendix 2**

Bishop Anthony Educational Trust

**Competitive Tendering for Larger Purchases Policy**

**Purchasing**

The Trust wants to achieve the best value for money from all our purchases. This means we want to get what is needed in the correct quality, quantity and time at the best price possible. A large proportion of our purchases will be paid for with public funds and therefore 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.
- Value for Money, the Academy shall aim for: - Economy, minimizing the cost having regard to appropriate quality - Efficiency, an appropriate relationship between outputs and costs - Effectiveness, the achievement of the intended outputs

**Routine Purchasing**

Routine purchases up to £1,000 can be requested and are authorised as per the scheme of delegation. A quote or price must always be obtained before any order is placed. The Finance Office have a list of regularly used suppliers, however, if the purchaser considers that better value for money can be obtained by ordering from a supplier not regularly used by the Academy then this must be discussed and agreed with the Finance Office.



All orders must be made, or exceptionally confirmed, in writing using an official order form, stocks of which are held in the Finance Office. Orders must bear the signature of the member of staff requesting the order, they will be countersigned by their line manager as required and must be forwarded to the Finance Office where they will be checked to ensure adequate budgetary provision exists before the order is released.

Please see Appendix 2.1 for a Summary of Financial Authorisation Levels and the procedures to be followed for ordering goods up to the value of £XXXXX.

### **Forms of Tenders**

There are three forms of tender procedure: open, restricted and negotiated and the circumstances in which each procedure should be used are described below.

- **Open Tender:** This is where all potential suppliers are invited to tender. The budget holder must discuss and agree with the Finance Director how best to advertise for suppliers e.g. general press, trade journals or to identify all potential suppliers and contact directly if practical. This is the preferred method of tendering, as it is most conducive to competition and the propriety of public funds.

- **Restricted Tender:** This is where suppliers are specifically invited to tender. Restricted tenders are appropriate where:

- there is a need to maintain a balance between the contract value and administrative costs,

- a large number of suppliers would come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the academy's requirements,

- the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.

- **Negotiated Tender:** The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances:

- the above methods have resulted in either no or unacceptable tenders,

- only one or very few suppliers are available,

- extreme urgency exists,

- additional deliveries by the existing supplier are justified.

The tendering method must be agreed in advance with the Finance Director and Chief Executive

### **Preparation for Tender**

Full consideration should be given to:

- objective of project

- overall requirements

- technical skills required



- after sales service requirements
- form of contract.

### **Invitation to Tender**

If a restricted tender is to be used then an invitation to tender must be issued. If an open tender is used an invitation to tender may be issued in response to an initial enquiry.

An invitation to tender should include the following:

- introduction/background to the project;
- scope and objectives of the project;
- technical requirements;
- implementation of the project;
- explanation of how the tenders will be evaluated
- terms and conditions of tender and
- form of response.

### **Aspects to Consider**

#### **Financial**

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

#### **Technical/Suitability**

- Qualifications of the contractor
- Relevant experience of the contractor
- Descriptions of technical and service facilities
- Certificates of quality/conformity with standards
- Quality control procedures
- Details of previous sales and references from past customers.

#### **Other Considerations**

- Pre sales demonstrations
- After sales service





- Financial status of supplier. Suppliers in financial difficulty may have problems completing contracts and in the provision of after sales service. It may be appropriate to have an accountant or similarly qualified person examine audited accounts etc.

### **Tender Acceptance Procedures**

The invitation to tender should state the date and time by which the completed tender document should be received by the academy. Tenders should be submitted in plain envelopes clearly marked to indicate they contain tender documents. The envelopes should be time and date stamped on receipt and stored in the Finance Office prior to tender opening. Tenders received after the submission deadline should not normally be accepted and must be approved by the Principal.

### **Tender Opening Procedures**

1. All tenders submitted should be opened at the same time and the tender details should be recorded in the presence of at least one members of the Governing Body and the Principal / Finance Director.

2. A separate record should be established to record:

- the nature of the goods or materials to be supplied or the works or services to be provided;
- the name of each supplier or sub contractor quoting/tendering;
- the date and time of receipt of each quotation/tender;
- the date and time of opening of the quotations/tenders;
- the amount of each quotation/tender;
- evaluation criteria and results
- the name of all persons present at the opening of the quotations/tenders

This record must be signed by two people present at the tender opening.

### **Tendering Procedures**

The evaluation process should involve at least two people. Those involved should disclose all interests, business and otherwise, that might impact upon their objectivity. If there is a potential conflict of interest then that person must withdraw from the tendering process.

Those involved in making a decision must take care not to accept gifts or hospitality from potential suppliers that could compromise or be seen to compromise their independence.

Full records should be kept of all criteria used for evaluation and a report should be prepared for the Finance & Resources Committee highlighting the relevant issues and recommending a decision.

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

The accepted tender should be the one that scores most highly when assessed against the evaluation criteria. All parties should then be informed of the decision.



Appendix 2.1

Summary of Financial Authorisation Levels / Tender procedures

Delegated Duty	Value	Delegated Authority	Method
Ordering Goods and Services Total commitment value – revenue	Up to £1,000	Budget holder	Orders must be placed on an official order form.
	£1,001 - £10,000	Business Manager	At least three written quotes
	£10,001 to £50,000	Principal or Director of Finance	At least three written quotes
	£50,001 to £100,000	Chief Executive	At least three written quotes
	£100,001 + above	Finance & Resources Committee	Formal tendering process
Ordering Goods and Services Total commitment value – revenue	Up to £100,000	Chief Executive	At least three written quotes. Where Capital spend relates to ACMF funded projects, the Chief Executive will approve the grant application and the ACMF Completion Certificate. Authorisation of individual purchases, where these are within the approved grant application, will be authorised using the same delegated authority levels as Revenue purchases. Minor ICT items (eg one off software, laptops etc) and their repair/enhancement purchased from Capital funds, where the Business Manager confirms there are adequate funds available, will be authorised using the same delegated authority levels as Revenue purchases.
	Above £100,000	Finance & Resources Committee	Formal tendering over £100k



## Appendix 3

### **Accounting Policies**

#### **Basis of Preparation of Financial Statements**

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission Statement of Recommended Practice: 'Accounting and Reporting by Charities' ('SORP 2005'), the Academies: Accounts Direction issued by the Education Funding Agency and Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

#### **Going Concern**

The directors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The directors make this assessment in respect of a period of one year from the date of approval of the financial statements.

#### **Incoming resources**

All incoming resources are recognised when the Academy Trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

#### **Grants receivable**

Grant income is included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet.

The general annual grant ('the GAG') from the DfE, which is intended to meet recurrent costs, is credited directly to the Statement of Financial Activities to the extent of the entitlement to the funds, any abatement in respect of the period is deducted from income and is recognised as a liability.

Other grants from government agencies and other bodies are recognised in the period in which they are receivable to the extent the conditions of funding have been met. Where income is received in advance of entitlement of receipt its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received the income is accrued.

Capital grants are recognised as voluntary income on a receivable basis to the extent that there is an entitlement.

#### **Donations**

Donations are included recognised on a receivable basis where there is certainty of receipt and the amount can be reliably measured.



## **Other income**

Other income including hire of facilities is recognised in the period it is receivable and to the extent the goods have been provided or the completion of the service.

## **Donated services and gifts in kind**

The value of donated services and gifts in kind provided to the Academy Trust are recognised at their open market value in the period in which they are receivable in incoming resources, where the benefit to the Academy Trust can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities.

## **Interest receivable**

Interest receivable is included in the Statement of Financial Activities on a receivable basis, and is stated inclusive of related tax credits.

## **Resources expended**

All expenditure is recognised in the period in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated to each activity cost category on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities are costs incurred on the Academy Trust's educational operations.

Governance costs include the costs attributable to the Academy Trust's compliance with constitutional and statutory requirements, including audit, strategic management and Directors' meetings and reimbursed expenses.

All resources expended are inclusive of irrecoverable VAT.

## **Fund accounting**

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Academy Trust at the discretion of the Directors.

Restricted General funds are resources subject to specific restrictions imposed by funders or donors, and include grants from the Education Funding Agency and Department for Education.

Restricted Fixed Assets Funds are resources which are to be applied to specific capital purposes imposed by the Education Funding Agency and the Department for Education and the Local Authority where the asset acquired or created is held for a specific purpose.



## **Tangible fixed assets - Capitalisation policy**

Tangible Fixed Assets costing £2,000 or more are capitalised at cost and are carried at cost net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. Where the related grants require the asset to be held for a specific purpose they are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet, with this amount being reduced over the useful economic life of the related asset on a basis consistent with the depreciation policy.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful lives, as follows:

Long leasehold buildings based on the estimated remaining economic life

Fixtures, fittings and equipment 25% pa

ICT equipment 25% pa

Motor Vehicles 25% pa

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

## **Taxation**

The Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Academy Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

## **Leased assets**

Rentals under operating leases are charged on a straight-line basis over the lease term.

## **Pension benefits**

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes, are contracted out of the State Second Pension (S2P) and the assets are held separately from those of the Academy Trust.



The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 24, the TPS is a multi-employer scheme and the Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

### **Agency arrangements**

The Academy Trust acts as an agent in the administering of 16-19 Bursary Funds from the EFA. Related payments received from the EFA and subsequent disbursements to students are excluded from the statement of financial activities to the extent that the Academy Trust does not have a beneficial interest in the individual transactions. The allowance of 5% as a contribution to administration costs is however recognised in statement of financial activities. Where funds have not been fully applied in the year then an amount will be included as amounts due to the EFA.

### **Conversion to an Academy Trust**

The conversion from a state maintained school to an Academy Trust, involves the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from a maintained school to the Academy Trust is valued at their fair value being a reasonable estimate of the current market value that the trustees would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for the BAET. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income in the Statement of Financial Activities and analysed under unrestricted, restricted general and restricted fixed asset funds.