



**Good Shepherd Catholic**  
**Primary & Nursery School**

**ACADEMY FINANCIAL POLICY AND PROCEDURES**  
**& SCHEME OF DELEGATION**

**Last Review Date May 2024**

**Next Review Date May 2026**

## Introduction

The purpose of this manual is to ensure that Good Shepherd Catholic Primary & Nursery School, hereafter referred to as '*the academy*' maintains and develops systems of financial control which conform to the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of our funding agreement with the Education and Skills Funding Agency (ESFA).

The academy must comply with the principles of financial control outlined in the Academies Financial Handbook published by the Education and Skills Funding Agency (ESFA). This manual expands on that and provides detailed information on the academy's accounting procedures and system. This manual is provided to and read by all staff and governors involved with the financial process.

## Governance

We undertake to carry out the conditions as set out in the Academies Financial Handbook and to read and comply with the updated annual publication of this Handbook.

The Board of Governors of the Academy are responsible for ensuring that the school meets all obligations placed upon it by the Secretary of State for Education.

In order to fulfil better the obligations placed upon it, the Board of Governors is divided into Achievements and Standards Committee, Finance, HR, Premises, Audit and Risk (hereafter referred to as the 'Resources Committee') and Pay Committee.

The Full Governing Body meets six times per year, whilst the Pay Committee meets annually. Minutes are taken at all meetings. The governors also receive monthly budget monitoring reports from the School Business Manager. These arrangements therefore ensure governors perform their oversight responsibilities regularly and effectively.

## Corporate Governance

Corporate governance is the way in which organisations are directed and controlled. It defines the distribution of rights and responsibilities among different stakeholders and participants in the organisation, determines the rules and procedures for making decisions on corporate affairs including the process through which the organisation's objectives are set and provides the means of attaining those objectives and monitoring performance. The following section looks at governors' responsibilities for the corporate affairs of academies.

## The Governing Body

Each academy is governed by a governing body constituted under a Memorandum of Association and Articles of Association. The governing body is responsible for ensuring that high standards of corporate governance are maintained. It should exercise its powers and functions with a view to fulfilling a largely strategic leadership role in the running of the academy, addressing such matters as:

- **policy development and strategic planning**, including target-setting to keep up momentum on school improvement;
- ensuring **sound management and administration** of the academy and ensuring that managers are equipped with relevant skills and guidance;
- ensuring compliance with **legal requirements**;

- establishing and maintaining a transparent system of prudent and **effective internal controls**. (the academy's annual report and accounts must include a statement on the efficiency and effectiveness of such controls);
- management of the academy's financial, human and other **resources** (in particular control over the spending identified in the academy's development plan);
- **monitoring performance** and the achievement of objectives and ensuring that plans for improvement are acted upon;
- helping the academy be **responsive to the needs of parents and the community** and making it more accountable through consultation and reporting;
- setting the academy's **standards of conduct and values**;
- assessing and managing **risk** (including preparation of a statement on the academy's risk management for its annual report and accounts).

The governing body also has a duty to take appropriate action when there are weaknesses in the academy. Where individual governors have concerns which cannot be resolved about the running of the academy or a proposed action, they should ensure that their concerns are recorded in minutes.

NB: All duties and responsibilities of governors detailed in the Handbook and this document apply equally to persons who are not governors of the academy but who have been appointed to serve on a committee of that academy in an honorary capacity.

The governing body must appoint a Headteacher to the academy who also acts as an ex-officio governor. The Headteacher is responsible for the internal organisation, management and control of the academy, the implementation of all policies approved by the governing body and for the direction of teaching and the curriculum. The governing body should formally delegate these powers and functions to the Headteacher.

### Obligations of Governors

As academies are companies limited by guarantee with charitable status, the governors who sit on the governing body are the legal trustees of the charity. This confers certain obligations upon the trustees to protect the assets, property and good name of the charity. The legal requirements of trustees are set out below.

Trustees (governors) have full responsibility for the charity and must:

- act together and in person and not delegate control of the charity to others;
- act strictly in accordance with the academy's governing documents;
- act in the academy's interests only and without regard to their own private interests;
- manage the academy's affairs prudently throughout the life of the academy;
- not derive any personal benefit or gain from the academy of which they are trustees; and
- take proper professional advice on matters on which they are not themselves competent.

In managing the academy's finances governors must:

- make sure that bank accounts, financial systems and financial records are operated by more than one person;
- make sure that all the academy's property is under the control of the trustees;
- keep full and accurate accounting records; and
- prepare accruals accounts giving a true and fair view of the academy's incoming resources and application of resources during the year and of its state of affairs at the year end.

In applying the academy's income, governors must spend it solely for the purposes set out in the academy's governing documents and spend it with absolute fairness between persons qualified to benefit from the charity.

### **Conduct of Governors**

Governors and staff are public servants and as such must not use public monies or official business for personal benefit. The governing body should avoid obtaining goods and services that include elements of private use or accepting excessive hospitality from prospective suppliers. The Treasury rules about the receiving of hospitality and gifts should be followed, as these rules are there to protect staff and governors. A register is maintained to record hospitality and gifts received and given by the academy. The Gifts, Hospitality and Bribery Policy provides full details of the academy's processes.

Governors should be aware that the Prevention of Corruption Act places the burden of proof on the recipient of favours.

The Treasury publication "Guidance on Codes of Practice for Board Members of Public Bodies" has been circulated to members of the governing body as best practice.

### **Declarations of Business Interests**

It is vital that governors and staff act, and are seen to act, impartially. All members of the governing body are therefore required to complete a declaration of their business interests. It is also strongly recommended, as a matter of good practice, that the Headteacher and other senior staff complete declarations. Individual declarations should be maintained together in a register of interests. Declarations should include all business and pecuniary (monetary) interests such as directorships, shareholdings and other appointments of influence within a business or other organisation. They should also include interests of related persons such as parent, spouse, child, cohabitee and business partner where influence could be exerted by that person over a governor or a member of staff.

Where a governor or member of staff or related person has any interest, either pecuniary or non-pecuniary, in a matter to be discussed at a governors' meeting the governor or member of staff must declare their interest and withdraw from that part of the meeting.

Where a governor or related person has a pecuniary interest in a business, and that interest exceeds limits that may be specified in the academy's memorandum or articles of association, the academy must not enter into any contract or arrangement (such as the purchase of goods and service) with that business. For example, an academy would not generally be permitted to trade with a company in whom a governor holds more than 1/100th of the share capital.

It is the responsibility of governors and staff to ensure their declarations of business interests are kept up to date at all times, and to amend or update them as necessary. As good practice, it is recommended that monthly/termly meetings of governors and senior managers include a standing agenda item for attendees to declare any changes to their declarations of interests.

### **Payments to Governors**

It is illegal for governors to receive any remuneration for their work as trustees, other than payment of all reasonable out of pocket travel, accommodation or other expenses legitimately incurred by them in connection with their attendance at meetings acting in the capacity of governor of the academy.

In addition, no governor may hold any interest in property belonging to the academy. Nor may a governor receive remuneration in respect of any contract to which the academy is a party.

However, nothing prevents the payment of governors for the usual professional charges for business undertaken by any governor who is a solicitor, accountant or other person engaged in a profession, or by any partner or connected person of his or hers, when instructed by the governing body to act in a professional capacity on behalf of the academy. This exception is only allowable if:

- at no time a majority of the governors are engaged in such a professional capacity: and
- Governors withdraw from any meeting at which his or her remuneration, or that of his or her partner / relative, is under discussion.

### **Governors' Meetings**

It is a requirement of all academy governing bodies that they meet at least six times per year. No business can be conducted at any meeting unless a quorum is present. A quorum for the Full Governing Body or its sub committees is defined in the Articles of Association as 1/3 of governors (those with full voting rights) At the academy, a quorum is defined in the full Terms of Reference

Governors must appoint a clerk to the governing body, who must be someone other than a governor or the headteacher of the academy.

The governing body should consider the following aspects at least three times per academic year:

- a report of the financial performance of the academy, including its income and expenditure and financial commitments;
- whether adequate financial monitoring of the academy's budget and activities is being undertaken;
- progress on any action identified to improve financial arrangements at the academy;
- significant contracts proposed to be entered into by the academy;
- details of any significant matters affecting the academy's staff;
- details of any significant matters affecting the pupils' welfare or education;
- details of any significant matters affecting the academy's assets e.g. computers, cars, whiteboards etc;

Matters that should be considered by trustees at least once a year are:

- the academy's goals and how they are being met;
- review of the management structure to ensure it is operating effectively;
- review of the performance of external providers e.g. bankers, services provided under SLAs;
- review and approval of the academy's annual accounts and report of the trustees;
- review and approval of the financial budget for the following year;
- review and approval of the levels of insurance cover for the academy's assets;
- findings made by the auditors and the auditor's management letter, and any other financial reviews, and consideration of what actions should be taken arising from their recommendations;
- review of the risks to which the academy is exposed and determination of whether systems are in place to mitigate those risks.

### **Scheme of Delegation**

The governing body should agree a formal schedule of matters reserved for their decision, i.e. those which should not be delegated within the academy. Beyond this, the governing body should consider establishing separate committees to deal with specific areas of academy

business, and should determine the delegated responsibilities to be assigned to those committees, to ensure that matters can be dealt with in appropriate detail and with sufficient frequency. However, as a minimum, it is a requirement that all academies establish a finance committee separate from the governing body to deal with financial matters. The governing body should also consider whether they ought to have a remuneration committee to decide upon the remuneration of staff.

Where the governing body decides to delegate certain matters for consideration by committees, each committee should be chaired by a governor. The membership of the committee may include persons who are not governors provided that a majority of the members are governors. The governing body should ensure that it receives adequate feedback on the work of those committees and is able to consider their decisions formally. The membership, responsibilities and terms of reference of the Governing Body and its committees are detailed in a separate document.

The establishment of committees does not absolve the governing body of its overall responsibility to manage the finances of the academy.

The Governing Body has considered the extent to which it wishes to delegate its powers to the Head Teacher and other staff, including the power of virement between budget headings and has formally recorded its decision (and any revisions) in the minutes of the Governing Body meeting at which the decision was taken.

The table below sets out the latest position:

|                                                                                                             | <b>Virement Limit</b> | <b>Purchase Limit</b> | <b>Additional notes</b>                                              |
|-------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|----------------------------------------------------------------------|
| Governing Body                                                                                              | Unlimited             | Unlimited             |                                                                      |
|                                                                                                             |                       |                       |                                                                      |
| Head Teacher                                                                                                | £10,000               | £10,000               |                                                                      |
| Deputy Head Teacher – in the absence of the Head Teacher and to be counter-signed by the Chair of Governors | £10,000               | £10,000               |                                                                      |
| Cost Centre Budget Holders                                                                                  | £0                    | £0                    | NB: There are no cost centre budget holders allocated – HT/ DHT only |
| School Business Manager                                                                                     | £0                    | £0                    |                                                                      |

### **Governors' Responsibilities for Risk Management**

The Charity Commission requires charities to include a statement in the trustees' annual report confirming that all major risks to which the charity is exposed have been reviewed and systems have been established to mitigate those risks.

Academy governors need to think about the major risks from the outset in order to make and sign up to that statement. For example, governors should determine:

- what the major risks are to the academy;
- what the likelihood is of those risks materialising;
- what would be the potential impact of the risks; and
- what systems have been put in place to mitigate and monitor the risks.

A “risk register” has been established which demonstrates the results of the risk assessment process and is reviewed annually. An academy business continuity plan is in place.

Governors must also ensure that the academy complies with general legislative requirements covering employment, property and health and safety regulations. They also need to think about how they can mitigate against those working for the academy from acting unlawfully, imprudently or outside the terms of the academy’s governing documents, and are expected to consider whether indemnity insurance should be taken out to cover them against this liability.

Governors are at risk of personal liability if they cause loss to the academy by acting unlawfully, imprudently or outside the terms of the academy’s governing document.

## 1. Organisation

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

### The Governing Body

The governing body has overall responsibility for the administration of the academy’s finances. The main responsibilities of the governing body are prescribed in the Funding Agreement between the academy and the ESFA and in the academy’s scheme of government. The main responsibilities include:

- ensuring that grant from the ESFA is used only for the purposes intended;
- ensuring that funds from sponsors are received according to the academy’s Funding Agreement, and are used only for the purposes intended;
- approval of the annual budget;
- consideration of the financial performance of the academy trust at least three times per year;
- appointment of the Headteacher – the Governing Body has appointed Mrs Jane Day as Headteacher;
- appointment of the School Business Manager, in conjunction with the Headteacher;
- approval of the appointment of the academy’s external auditors.
- Approval of the appointment of the academy’s internal auditors.

### The Headteacher

Within the framework of the academy development plan as approved by the governing body the Headteacher has overall executive responsibility for the academy’s activities including financial activities. Much of the financial responsibility has been delegated to the School Business Manager but the Headteacher still retains responsibility for:

- approving new staff appointments within the authorised establishment, except for any senior staff posts which the governing body have agreed should be approved by them;

- authorising contracts up to £10,000 in conjunction with the School Business Manager;
- authorising payments in conjunction with other authorised signatory.

### **The School Business Manager**

The School Business Manager works in close collaboration with the Headteacher through whom he or she is responsible to the governors. The School Business Manager also has direct access to the governors via the Full Governing Body meetings. The main responsibilities of the School Business Manager in relation to finance are:

- the day to day management of financial issues including the establishment and operation of a suitable accounting system;
- the management of the academy financial position at a strategic and operational level within the framework for financial control determined by the governing body;
- the maintenance of effective systems of internal control;
- ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of the academy;
- the preparation of monthly management accounts;
- checking payment requests in conjunction with the Headteacher or Deputy Head.
- ensuring forms and returns are sent to the ESFA in line with the timetable in the ESFA guidance.

### **Responsible Officer Duties (Auditors)**

Responsible Officers (RO) are appointed by the Full Governing Body and provides governors with an independent oversight of the academy's financial affairs. The main duties of the RO are to provide the governing body with independent assurance that:

- the financial responsibilities of the governing body 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.

The Responsible Officer will undertake a programme of reviews to ensure that financial transactions have been properly processed and that controls are operating as determined by the governing body. A report of the findings from each visit will be shared with the Full Governing.

### **Other Staff**

Other members of staff, primarily the Senior Admin Officer and Admin Assistants, will have some financial responsibilities and these are detailed in the following sections of this manual. All staff are responsible for the security of academy property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the academy's financial procedures.

### **Register of Interests**

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 academy governors and staff with significant financial or spending powers are required to declare any financial interests they have in companies or individuals from whom the academy may purchase goods or services. The register is open to public inspection.

The register 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

academy. 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 governor or a member of staff by that person.

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

The academy holds a register of business interests. Any employee or governor or a close relative of either who could be considered to be a supplier of works, services or goods must register such an interest and ensure that the record is confirmed or updated on an individual basis at least annually. The register is maintained by the clerk to the Governing Body and held in the Head Teacher's office. It is available for inspection at each Governing Body meeting. If a governor is present at a meeting that involves awarding a contract for works, goods or services, then if the governor has a pecuniary interest, he/she will disclose the fact at the meeting and will not take part in the consideration or vote on the matter.

## **2. Accounting system**

All the financial transactions of the academy must be recorded on the academy's accounting system.

### **System Access**

Entry to the system is password restricted.

Access to the component parts of the system can also be restricted and the School Business Manager is responsible for setting access levels for all members of staff using the system. Authorised users are listed in Appendix 1.

### **Back-up Procedures**

The School Business Manager is responsible for ensuring that there are effective back up procedures for the system. Data is stored electronically and backup copies are taken daily and held at a remote site.

A disaster recovery plan is included within the business continuity plan in the event of loss of accounting facilities or financial data. This should link in with the annual assessment made by governors of the major risks to which the academy is exposed and the systems that have been put in place to mitigate those risks. The school is registered with the ICO (Information Commissioner's Office). The School Business Manager is responsible for the annual renewal of the registration. The Head Teacher is the registered Data Controller.

### **Transaction Processing**

All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are included in the following sections of the manual. Bank transactions should be input by the School Business Manager and the input should be checked, and signed to evidence this check, by the Headteacher.

## Transaction Reports

The School Business Manager will obtain and review system reports to ensure that only regular transactions are posted to the accounting system. The report obtained and reviewed will include:

- Management accounts summarising expenditure and income against budget at cost code level.

## Reconciliations

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

- sales ledger control account;
- purchase ledger control account;
- payroll control account;
- all suspense accounts and
- bank balance per the nominal ledger to the bank statement.

Any unusual or long outstanding reconciling items must be brought to the attention of the Headteacher. The Headteacher will review and sign all reconciliations as evidence of his review.

## Segregation of Duties

In the interest of public accountability and for the protection of staff, it is important that as far as is possible, financial duties are segregated. Duties should be divided as follows:

| Individual                    | Responsibility                                                                                                                                                                                                                                            |
|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Individual member of staff    | Initial request for orders via purchase order form to the Head Teacher in advance of purchase                                                                                                                                                             |
| School Business Manager       | Check purchase orders against budget<br>Bank account reconciliation<br>Preparation of budgets and financial reports and accounts                                                                                                                          |
| Senior Administration Officer | Inputting of orders/invoices/credit notes on to finance software<br>Process cheques<br>Make BACS payments<br>Issues invoices for income and chases payments<br>Paying income into the bank account<br>Check invoices against delivery note/purchase order |
| Finance Officer               | Inputting of orders/invoices on to finance software<br>Process cheques<br>Chase payments<br>Paying income into the bank account                                                                                                                           |

|                                                 |                                                                                                                                                                                                                                         |
|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                 | Check deliveries against delivery note/purchase order<br>Resolve issues with deliveries<br>Monitor and follow up non delivery of orders                                                                                                 |
| Administration Officers                         | Check deliveries against delivery note/purchase order<br>Resolve issues with deliveries<br>Monitor and follow up non delivery of orders                                                                                                 |
| Account signatories x 2                         | Check BACS/cheque details against invoice and original order<br>Check and authorise BACS payments                                                                                                                                       |
| Headteacher (or Deputy Head Teacher in absence) | Authorisation of order/expenditure<br>Final authorisation for payment of invoice<br>Validation of new suppliers and establishing tax status<br>Preparation and review of budget setting<br>Monthly reviews<br>Reports to Governing Body |

### 3. Financial planning

The academy prepares both medium term and short-term financial plans.

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

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

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

#### Development Plan

The development plan is concerned with the future aims and objectives of the academy and how they are to be achieved; that includes matching the academy's objectives and targets to the resources expected to be available. Plans should be kept relatively simple and flexible. They are the "big picture" within which more detailed plans may be integrated.

The form and content of the development plan are matters for the academy to decide but due regard should be given to the matters included within the guidance to Academies and any annual guidance issued by the EFA.

Each year the Headteacher will propose a planning cycle and timetable to the governing body which allows for:

- a review of past activities, aims and objectives - "did we get it right?"
- definition or redefinition of aims and objectives – "are the aims still relevant?"

- development of the plan and associated budgets – “how do we go forward?”
- implementation, monitoring and review of the plan – “who needs to do what by when to make the plan work and keep it on course” and
- feedback into the next planning cycle – “what worked successfully and how can we improve?”

The timetable will specify the deadlines for the completion of each of the key stages described above. Lead responsibility for the completion of each of the stages will be assigned by the Headteacher.

The completed development plan will include detailed objectives for the coming academic year and outline objectives for the following two years. The plan should also include the estimated resource costs, both capital and revenue, associated with each objective and success criteria against which achievement can be measured.

For each objective the lead responsibility for ensuring progress is made towards the objective will be assigned to an academy manager. The responsible manager should monitor performance against the defined success criteria throughout the year and report to the senior leadership team on a termly basis. The senior leadership team will report to the governing body if there is a significant divergence from the agreed plan and will recommend an appropriate course of action.

### Annual Budget

The School Business Manager is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the Headteacher and the full governing body.

The approved budget must be submitted to the ESFA by the deadline notified and the School Business Manager is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.

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 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 academy to assess likely level of receipts;
- review of past performance against budgets to promote an understanding of the academy cost base;
- identification of potential efficiency savings and
- review of the main expenditure headings in light of the development plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes.

### Balancing the Budget

Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where cuts can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets

will need to be revised until income and expenditure are in balance. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need.

### **Finalising the Budget**

Once the different options and scenarios have been considered, a draft budget should be prepared by the School Business Manager for approval by the Headteacher, the Deputy headteacher and the full governing body. The budget should be communicated to any staff member with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.

The budget should be accompanied by a statement of assumptions and hierarchy of priorities so that if circumstances change, it is easier for all concerned to take remedial action. The budget should be seen as a working document which may need revising throughout the year as circumstances change.

### **Monitoring and Review**

Monthly reports will be prepared by the School Business Manager. The reports will detail actual income and expenditure against budget at a summary level for review by the Headteacher and governors.

Any potential overspend against the budget must in the first instance be discussed with the School Business Manager.

The monitoring process should be effective and timely in highlighting variances in the budget so that differences can be investigated and action taken where appropriate. If a budget overspend is forecast it may be appropriate to vire money from another budget or from the contingency. All budget virements must be authorised by the Full Governing Body in line with the scheme of delegation.

## **4. Payroll**

The main elements of the payroll system are:

- staff appointments;
- payroll administration and
- payments.

### **Staff Appointments**

The Headteacher has authority to appoint staff within the authorised establishment except for the Deputy Headteacher and the School Business Manager whose appointments must follow consultation with the governors. The School Business Manager maintains personnel files for all members of staff which include contracts of employment. These files are held securely in the Headteacher's office. All personnel changes must be notified, in writing, to the School Business Manager immediately.

### **Payroll Administration**

The academy payroll is outsourced to Liberata.

All staff are paid monthly through the Liberata payroll contract. The School Business Manager is responsible for data entry onto the payroll system in accordance with the timetable

Before the payroll is processed a print of all data relevant to that month's payroll should be checked against source documentation by the School Business Manager and then authorised and initialled by the Headteacher.

## Payments

After the payroll has been processed but before payments are dispatched a print of salary payments by individual and showing the amount payable in total must be printed, reviewed and authorised together with authority to release payment by the School Business Manager and the Headteacher.

All salary payments are made by BACS.

The School Business Manager should prepare reconciliation between the current month's actual and budget estimate for that month. This reconciliation should be reviewed and signed by the Headteacher.

Liberata automatically calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions. The amounts payable are summarised on the gross to net pay print and paid by Liberata.

## Purchasing

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

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

### At Cost Requirements – Trading with Connected Parties

The trust must pay no more than 'cost' for goods or services provided to it by the following persons:

- any member or trustee of the academy trust
- any individual or organisation connected to a member or trustee of the academy trust. For these purposes the following persons are connected to a member, or trustee:
  - a relative of the member or trustee. A relative is defined as: a close member of the family, or member of the same household, who may be expected to influence, or be influenced by, the person. This includes, but is not limited to, a child, parent, spouse or civil partner
  - an individual or organisation carrying on business in partnership with the member, trustee or a relative of the member or trustee
  - a company in which a member or the relative of a member (taken separately or together), and/or a trustee or the relative of a trustee (taken separately or together), holds more than 20% of the share capital or is entitled to exercise more than 20% of the voting power at any general meeting of that company
  - an organisation which is controlled by a member or the relative of a member (acting separately or together), and/or a trustee or the relative of a trustee (acting separately or together). For these purposes an organisation is controlled by an individual or organisation if that individual or organisation

is able to secure that the affairs of the body are conducted in accordance with the individual's or organisation's wishes

- any individual or organisation that is given the right under the trust's articles of association to appoint a member or trustee of the academy trust; or anybody related to such individual or organisation
- any individual or organisation recognised by the Secretary of State as a sponsor of the academy trust; or anybody related to such individual or organisation

Trading with connected parties should be read in conjunction with the current Academies Financial Handbook.

### **Routine Purchasing**

Written orders are used for all goods and services. Orders are only made by telephone where goods are required urgently. An order form must always be completed in the usual way,

Access to the financial computer system is restricted to the School Business Manager, Senior Admin Officer, Finance Officer, **Openair** and the external finance consultants. Commitment accounting is in operation on the computer system.

Orders must only be used for goods and services provided to the school. Individuals may not use official orders to obtain goods and services for their private use.

### **Ordering procedures are as follows:**

- A green purchase order form is completed by the budget holder and sent to the School Business Manager.
- The School Business Manager, using the computer information on the school finance software, checks the order against available budget and highlights overspending to the Head Teacher.
- The Head Teacher (or Deputy Head in his/her absence) authorises the order.
- The Senior Administration Officer - or Finance Officer in their absence - enters the order onto the school's software and submits the order to the supplier.
- The original order is filed under orders pending delivery.

When an order is cancelled, reasons for cancellation are recorded on the order file.

The computer system keeps a record of all orders placed that have been invoiced.

Payments to individual members of staff are only made on production of a till receipt or other certification that payment has been made and where a green order form has been authorised in advance of the purchase. In general, expenditure should not exceed £100 in value. Payment is made via an expenses claim form through Payroll. The expenses claim form must be completed and signed by both the staff member and the Headteacher. Expenses claims by the Headteacher must be authorised by the Chair of Governors. Orders made by staff without following the above procedures will be deemed an invalid school order and the individual will become liable for any costs associated with the cost of the order or any subsequent return.

### **Receipt of goods:**

All goods received should be delivered to the school reception. All staff must be aware that when signing for delivery of goods, if not checked, they must sign "unchecked" on the delivery note.

The following procedures then take place:

- ✓ the Administration Officer(s) evidences the check of goods received on the delivery note within 2 days of delivery
- ✓ the delivery note and the order are retained with the purchase order if goods received are part of a larger order, the Admin Officers) will record the part payment invoice on the local order form and indicate which items have been received.
- ✓ Any shortages or defective items in the goods supplied are clearly marked on the delivery note by the Administration Officer(s). The Administration Officers(s) are responsible for ensuring that the delivery is rectified. The Admin Officer(s) maintains a goods returned book to monitor this process and ensure that all such deliveries are rectified.

#### ***Purchase invoices:***

All purchase invoices are delivered to the School Business Manager for recording on the school software by the Senior Administration Officer or Finance Officer. The order paperwork is attached to the invoice.

Where goods received are short or defective in some respect, and this has still not been rectified, this is clearly marked on the invoice so that payment is not made until either a credit note is received or the delivery is put right.

#### ***Payment of invoices:***

The School Business Manager ensures payment of all invoices by the due date where possible.

Payment is made when the following checks have been made:

- Goods and services have been received and checked to the order.
- Expenditure has been properly incurred and payment has not already been made.
- Prices agree with quotations, tenders, contracts or catalogue prices and arithmetic is correct.
- VAT has been accounted for.
- Discounts have been taken where applicable.

Following the above checks, the Head Teacher authorises payments having ensured that all of the school's procedures have been followed.

Two of the authorised signatories sign all cheque payments/authorise all BACS payments from public and non-public funds. Details of authorised budget holders and signatories are shown in appendix 1.

#### **The following procedures are followed when a cheque is signed:**

- The original purchase order request, system generated purchase order, authorised invoices and checked delivery note are presented to the signatory
- The cheque signatory must not sign a cheque relating to goods or services for which he/she has also authorised the expenditure (unless exceptional circumstances require immediate payment and they are the only second signatory available).
- The school copy of the remittance advice is attached to the invoice
- All cheques drawn are crossed as account payee only.
- The cheque signatories check the cheque payee and amount matches the invoice, the supporting documentation and that the invoice has been authorised and evidence this by signing the checked box stamp on the remittance advice.
- In no circumstances should a signatory sign a blank cheque.

- No payment will be made on a photocopied or copy invoice unless exhaustive checks have been made to confirm that payment has not previously been made. This should be confirmed on the copy invoice.
- In no circumstances should payment be made against a statement.

**The following procedures are used when a BACS payment is made:**

Each individual item in a BACS run must be pre-authorised using the green order form system as previously described:

- Green order forms must be reviewed by the SBM and authorised by the Headteacher (or Deputy Head in her absence.)
- These must then be checked against the Invoice before proceeding to make the payment. Any discrepancies must be addressed before payment is made.

Users of the BACS system are classified as either an Inputter or an Authoriser:

The role of the Inputter is to add details to the school's financial management system to allow BACS transactions to be made in settlement of approved and authorised invoices. The Inputter must pay close attention to ensure that the correct Sort code, Bank Account Number and any Reference required are correctly inputted when making the first BACS payment. The school's financial management software will remember the Sort code and Bank Account Number for subsequent payments.

The role of the Authoriser is to ensure that all payment authorisation procedures have been correctly followed and that the amount, sort code and account number to which the BACS payment is being sent are all correct.

Once the BACS run has been completed, two Bank Account signatories must sign the BACS run report as proof the all transactions have been correctly made.

The following people have been assigned with BACS user rights:

- Senior Admin Officer (Inputter)
- Finance Officer (Inputter)
- School Business Manager (Inputter)
- All Bank Account Signatories (Authoriser)

The SBM must verify the authenticity of any correspondence notifying of change of bank account details of any supplier to be paid via BACS.

BACS run reports are filed in a separate file - in order of the date that they are processed.

**The following procedures are used when a Direct Debit Mandate is set up:**

Where payment is required by direct debit, this will follow the same paperwork and authorisation process as for all purchases. This will be held in the annual finance file under the Bank Account section. Direct debits will be reconciled by the School Business Manager under the normal bank reconciliation process which is checked and signed by the Head Teacher. The School Business Manager will ensure deductions are correct and rectify as needed and will cancel direct debits with the bank in a timely manner where necessary.

### **Purchases from private funds**

Any purchase made through the school account will be deemed to be on behalf of the school. If the school is given funds from a private source to purchase specific items then it is a requirement that any goods such purchased become the property of the school. Sufficient funds should be credited to the school account before any purchase process proceeds.

### **Charge card purchases – where charge cards are issued**

- all charge cards to be kept in the school safe – the card holder should not divulge the card or PIN numbers to any other person
- The Premises' Manager's charge card has a limit of £500
- The main school charge card has a limit if £6000
- the card is not to be used:
  - for personal purchases
  - by anyone, other than the member of staff to whom the card has been issued
  - to withdraw cash
  - outside of the academy's financial procedures.

All receipts for purchases must be passed to the School Business Manager immediately

All orders placed over the internet must be printed as a record of the order, copies must be passed to the School Business Manager immediately

A charge card order form and a green order form must be completed for each charge card purchase.

The School Business Manager will reconcile all charge card purchases against the Purchase card statement and receipts, which will be reviewed a signed by the Headteacher

## **5. Tendering Rules and Quotations**

### **Orders under £2,500**

Every effort should be made to obtain best value but there is no requirement to obtain written quotations.

### **Orders over £2,500 but less than £10,000**

At least two written quotations should be obtained for all orders between £2,500 and £10,000 to identify the best source of the goods/services. Written details of quotations obtained should be prepared and retained in the finance office for audit purposes. Telephone quotes are acceptable if these are evidenced and electronic confirmation of quotes has been received before a purchase decision is made.

### **Orders over £10,000**

At least three written quotations should be obtained for all orders between £10,000 and £25,000 to identify the best source of the goods/services. Written details of quotations obtained should be prepared and retained by budget holders for audit purposes. Telephone quotes are acceptable if these are evidenced and electronic confirmation of quotes has been received before a purchase decision is made.

### **Orders over £25,000**

Orders over £25,000 should be subject to a formal tender process and expenditure and supplier recommended by a representative panel of governors for approval by the full governing body.

The governing body may wish to appoint an external company to run the tendering process on behalf of the academy due to the numerous rules and requirements of the process.

### 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 School Business Manager 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.

### Preparation for Tender

Full consideration should be given to:

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

It may be useful after all requirements have been established to rank requirements (e.g. mandatory, desirable and additional) and award marks to suppliers on fulfilment of these requirements to help reach an overall decision.

### 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;
- 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 sealed plain envelopes clearly marked to indicate they contain tender documents. The envelopes should be time and date stamped on receipt and stored in a secure place prior to tender opening. Tenders received after the submission deadline should not normally be accepted.

### Tender Opening Procedures

All tenders submitted should be opened at the same time and the tender details should be recorded. All tenders are opened by the Headteacher and witnessed by the School Business Manager.

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

### Tendering Procedures

For purchases in excess of £25,000, provided the expenditure is included in the budget, the decision as to which tender to accept is recommended by the Finance Committee. The Full Governing Body takes the final decision.

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 Committee highlighting the relevant issues and recommending a decision.

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

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

## **6. Income**

The main sources of income for the academy are the grants from the ESFA. The receipt of these sums is monitored directly by the School Business Manager who is responsible for ensuring that all grants due to the academy are collected.

The academy also obtains income from:

- The Local Authority for SEN and Early Years funding
- Parents for school trips, clubs, uniform, paid for nursery sessions, paid for dinner money & fundraising
- Lettings
- Good Shepherd Supermarket donations

### **SEN, Early Year Funding & other grants**

Funding should be entered onto Accounts Receivable and monitored by the School Business Manager to ensure receipt in accordance with agreed timescales.

### **Trips**

When planning a school trip, the consent of the Head Teacher for trips less than a school day and Governing Body for longer trips, must be obtained before any commitment is made to pupils, parents or third parties. Letters are sent to all parents requesting a voluntary contribution to cover the cost of the excursion. Money is collected via ParentPay.

All monies received for trips are to be paid via ParentPay. The Senior Administration Officer is responsible for keeping adequate records of income and expenditure relating to the trip including writing of any receipts.

All expenditure in connection with trips is subject to the same procedures as other expenditure.

At the conclusion of each trip where a cost is incurred, the Senior Administration Officer prepares a final income and expenditure account for each trip.

### **Bad debts**

Bad debts are only written off when the school has followed all possible procedures to ensure their recovery. The school keeps a record of any bad debts written off. Guidance in the Academies Financial Handbook will be followed.

### **Dinner money**

Dinner money is collected via ParentPay.

The Senior Admin Officer is responsible for monitoring the ParentPay system, reconciling monthly catering invoices and following up dinner money debt.

## **Fund raising events**

It is the responsibility of the event organiser to control income prior to the monies being handed to the Senior Admin Officer. Monies are collected by event organisers and then passed to the Senior Admin Officer.

The Senior Admin Officer records and balances cash. The money is banked by the Senior Admin Officer or the Finance Officer and checked prior to banking by the School Business Manager.

## **Custody**

All cash and cheques must be kept in the academy safe prior to banking. Banking should take place every month or more frequently if the sums collected exceed the £5,000.

The School Business Manager, or as delegated to the Senior Admin Officer, is responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system. The reconciliations must be prepared promptly after each banking and must be reviewed and certified by the Headteacher.

## **7. Cash Management**

### **Bank Accounts**

The opening of all accounts must be authorised by the governing body.

The school holds separate bank accounts and accounting systems for public and non-public funds.

The bank has been informed that the school is not allowed to borrow funds and that no account should be allowed to become overdrawn. The school will not enter into any loan arrangements without the prior approval of the Secretary of State.

Bank statements are obtained monthly. The school has access to online banking and therefore can review the bank account on an ad hoc basis as required

The bank reconciliation is completed monthly by the School Business Manager and reviewed by the Headteacher.

All cheques are signed by two signatories, and are crossed "account payee only". Cheques are not pre-signed; cheque books are held in the school safe when not in use. BACS payments are authorised by two account signatories.

Cash and cheques are locked in the school safe prior to banking to safeguard against loss or theft. All cash is banked and recorded on paying-in slips. Bank paying-in slips show the split of cash and cheques. Cheques will be identifiable by reference to the receipt numbers and names of the drawers and cash by reference to receipt numbers.

Cash & c payments are discouraged but where received, they are banked by the Senior Admin Officer, Finance Officer or the School Business Manager.

### **Deposits**

Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include:

- the amount of the deposit and
- a reference, such as the number of the receipt or the name of the debtor
- Donations to the Good Shepherd Supermarket (Felix Project) are made via the Sum Up App and details of those making donations are NOT individually recorded

### **Payments and withdrawals**

All instruments authorising withdrawal from academy bank accounts must bear the signatures of two of the following authorised signatories as detailed in the bank mandate.

This provision applies to all accounts, public or private, operated by or on behalf of the governing body of the academy. Authorised signatories must not sign a payment relating to goods or services for which they have also authorised the expenditure.

### **Administration**

The School Business Manager must ensure bank statements are received regularly and that reconciliations are performed at least on a monthly basis. Reconciliation procedures must ensure that:

- all bank accounts are reconciled to the academy's cash book;
- reconciliations are prepared by the School Business Manager;
- reconciliations are subject to an independent monthly review carried out by the Headteacher and
- adjustments arising are dealt with promptly.

### **Cash Flow Forecasts**

The School Business Manager is responsible for preparing cash flow forecasts with the assistance of financial consultants JCA to ensure that the academy has sufficient funds available to pay for day to day operations.

### **Investment and Reserves**

Our aim is to spend the public monies with which we are entrusted for the direct education benefit of students as soon as is prudent. The Academy does not consider the investment of surplus funds as a primary activity, rather it is the result of good practice as and when circumstances allow.

#### **Purpose:**

- To ensure adequate cash balances are maintained in the current account to cover day to day working capital requirements
- To ensure there is no risk of loss in capital value of any cash funds invested
- To protect the capital value of any invested funds against inflation
- To optimise returns on invested funds

#### **Guidelines:**

Cash flow reports are to be prepared and monitored to ensure there are adequate liquid funds to meet all payroll related commitments and outstanding creditors that are due for payment.

Where the cash flow identifies a base level of cash funds that will be surplus to requirements these may be invested following approval from the Full Governing body. Approval must be signed off and recorded in the Full Governing body minutes.

In making decisions regarding where and how any surplus funds should be invested, due regard will be given to risk.

Currently, surplus funds are held within a separate 32-Day notice interest bearing account. Interest is accrued daily and the academy receives a monthly statement which is reconciled by the School Business Manager.

The criteria for surplus funds is:

- Consideration of whether there should be a maximum level of investment with a single approved counterparty; and
- A longer term investment with a higher return (but not high risk investments which are not in the best interests of the Federated Academy).

### Financial Controls

The school's accounting system is computerised. It is the school's policy that all staff involved with financial administration receive basic training and are familiar with the operation of the computer.

The proper functioning of the accounting system is the responsibility of the School Business Manager and the Headteacher.

Only authorised staff are permitted access to the accounting records which are securely retained when not in use.

Alterations to any original documents such as cheques, invoices, orders and other vouchers are made clearly in ink. The use of correcting fluid or the erasure of information is not acceptable.

All accounting records including invoices, delivery notes, bank statements etc. are retained in hard copy for six years, plus the current year, in a secure area, after which they are securely destroyed.

The Headteacher ensures that all expenditure from sources of earmarked funds is accounted for separately and that the funding is used for its intended purpose.

### Tax

The Headteacher is responsible for ensuring that all relevant finance and administrative staff are aware of VAT, Income Tax, and Construction Industry Scheme regulations.

As part of its tests on purchase controls, the calculation of the correct rate and amount of VAT will be checked.

The academy makes a monthly claim for a VAT refund from HMRC. The School Business Manager is responsible for chasing HMRC in the event of a delayed refund.

If the academy generates income on which VAT should be charged, it will account for this as a deduction from its normal monthly claim for a VAT refund.

The school will only make payments to building contractors and subcontractors in accordance with the Construction Industry Scheme.

## Voluntary Funds

The Headteacher will ensure that voluntary funds are accounted for separately from the academy's delegated budget and that they are held in a separate bank account.

The governing body will ensure that relevant voluntary funds are registered with the Charity Commission and will appoint an Independent Examiner who is independent of the school and who is not a member of the governing body. The Voluntary Fund account will be subject to an Independent Examination annually.

The Headteacher will ensure that the same standards of financial accounting apply to income and expenditure for the academy's delegated budget are applied to the voluntary funds.

Any income that properly relates to the academy's delegated budget will not be credited to the voluntary fund.

## Academy Insurance

The need for and the adequacy of insurance is reviewed annually by the academy in line with the requirements contained within the Academies Financial Handbook.

Details of all insurance policies held by the school are kept in the academy's Finance office.

Currently the academy's insurance cover is through the Gov.UK's Risk Protection Arrangement (RPA)

The academy will not give any indemnity to a third party without the written consent of their insurers.

The academy immediately informs the Insurance Company of all accidents, losses and other incidents which may give rise to an insurance claim. Claims under an insurance policy are authorised by the Headteacher prior to submission to the insurance company.

## 8. Fixed assets

### Asset register

All items purchased with a value over the academy's capitalisation limit must be entered in an asset register. The academy Asset Policy defines limits and processes. 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 EFA 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 and
- support insurance claims in the event of fire, theft, vandalism or other disasters.

### Security of assets

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

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

### Disposals

Items which are to be disposed of by sale or destruction must be authorised for disposal by the Headteacher and, where significant, should be sold following competitive tender. The academy must seek the approval of the ESFA in writing if it proposes to dispose of an asset for which capital grant in excess of £20,000 was paid.

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

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

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

### Loan of Assets

Items of academy property must not be removed from academy premises without the authority of the Headteacher. A record of the loan must be notified to the School Business Manager, in writing, recorded in a loan book / on a loan form and booked back in to the academy when it is returned.

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

### Borrowing

In line with funding agreements, the Academy Trust must seek ESFA's prior approval for borrowing (including finance leases and overdraft facilities) from any source, where such borrowing is to be repaid from grant monies or secured on assets funded by grant monies, and regardless of the interest rate chargeable. Credit cards must only be used for business (not personal) expenditure, and balances cleared before interest accrues.

The academy trust **must** obtain ESFA's prior approval for the following transactions beyond the delegated limits of the two categories set out below:

- writing-off debts and losses
- entering into guarantees, letters of comfort or indemnities

The delegated limits, subject to a maximum of £250,000, are:

- 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 audited accounts for the previous two financial years. This category includes new academies that have not had the opportunity to produce two years of audited accounts
- cumulatively, 5% of total annual income in any one financial year per category of transaction for any academy trusts that have submitted timely, unqualified audited accounts for the previous two financial years

In relation to these limits:

- 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. In practice, however, there will be both practical and legal limits to how cases should be handled
- the trust should only consider writing-off losses after careful appraisal of the facts, including whether all reasonable action has been taken to effect recovery from the debtor, the trust's insurers, or the risk protection arrangement, and should be satisfied that there is no feasible alternative
- the amounts for write-offs are before any successful claims from an insurer or the risk protection arrangement
- total annual income is defined as grant income as disclosed in the trust's last set of audited accounts.

Before accepting any liabilities by:

- issuing specific guarantees, or
- providing a letter of comfort, or
- providing indemnities

the trust should secure value for money by appraising the proposal through an assessment of the costs and benefits of relevant options. The trust must ensure that the value of any liability is within its delegated authority to commit.

## Special Payments

Special payments are transactions that fall outside academy trusts' planned range of activities. They are non-statutory or non-contractual and so are subject to greater control than other payments. They include:

- staff severance payments
- compensation payments
- ex gratia payments

### Special staff severance payments

Special staff severance payments are paid to employees outside of normal statutory or contractual requirements when leaving employment in public service whether they resign, are dismissed or reach an agreed termination of contract. They are different to ex gratia payments.

If an academy trust is considering making a staff severance payment above the statutory or contractual entitlements, it **must** consider the following issues before making a binding commitment:

- 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 trust successfully defending the case at employment tribunal. If there is a significant prospect of losing the case then a settlement may be justified, especially if the costs incurred in maintaining a defence are likely to be high. Where a legal assessment suggests that the trust is likely to be successful, then a settlement should not be offered
- if the settlement is justified, the trust 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

Staff 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.

Academy trusts have delegated authority to approve individual staff severance payments provided any non-statutory/non-contractual element is under £50,000. Where the trust is considering a non-statutory/non-contractual payment of £50,000 or more ESFA's prior approval must be obtained before the trust makes any binding settlement offer to staff.

### Compensation payments

Compensation payments are made to provide redress for loss or injury, for example: personal injuries; traffic accidents; or damage to property. If an academy trust is considering making a compensation payment it must base its decision on a careful appraisal of the facts, including legal advice where relevant, and ensure that value for money will be achieved.

Academy trusts have delegated authority to approve individual compensation payments provided any non-statutory/non-contractual element is under £50,000. Where the trust is considering a non-statutory/non-contractual payment of £50,000 or more ESFA's prior approval must be obtained.

Trusts should routinely consider whether particular cases reveal concerns about the effectiveness of internal control systems, and take any necessary steps to put failings right.

### **Ex gratia payments**

Ex gratia payments are another type of transaction that go beyond statutory or contractual cover, or administrative rules. Annex 4.13 of HM Treasury's Managing Public Money provides examples, which include payments to meet hardship caused by official failure or delay, and payments to avoid legal action on the grounds of official inadequacy.

Ex gratia payments are separate to other classes of special payment such as staff severance payments and compensation payments. Statutory and contractual payments made to academy staff in accordance with the trust's pay and conditions policy would not be ex gratia.

Ex gratia transactions must always be referred to ESFA for prior authorisation. HM Treasury approval may also be needed dependent on the nature of the transaction. If trusts are in any doubt about a proposed transaction they should seek prior advice from ESFA.

### **Novel or Contentious Payments**

The Trust will seek approval from the ESFA before making any novel or contentious payments.

### **Accounting Policies**

A summary of the principal accounting policies adopted, judgements and key sources of estimation uncertainty is set out below.

### **Basis of preparation**

The Financial Statements of the Academy Trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their Financial Statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction issued by the ESFA, the Charities Act 2011 and the Companies Act 2006.

Good Shepherd Catholic Primary & Nursery School meets the definition of a public benefit entity under FRS 102.

Financial statements are prepared in accordance with FRS 102, the reporting standard applicable in the UK and Republic of Ireland. The academy trust reports annually to 31<sup>st</sup> August.

### **Going Concern**

Under ISA 570, The Governors 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 charitable company to continue as a going concern. The Governors make this assessment in respect of a period of at least one year from the date of authorisation for issue of the Financial Statements and have concluded that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Academy Trust's ability to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing Financial Statements.

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

The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration. The substance of the transfer is that of a gift and it has been accounted for as set out below.

The assets and liabilities transferred on conversion from Good Shepherd Catholic School to the academy trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in [(for net gain) Donations – transfer from local authority on conversion/ (for net loss) Charitable activities – transfer from local authority on conversion ] in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

## **Income**

All incoming resources are recognised when the Academy Trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

### Grants receivable

Grants are 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. Where income is received in advance of meeting any performance related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance related conditions are met. Where entitlement occurs before income is received, the income is accrued.

Annual General Grant is recognised in full in the Statement of Financial Activities in the period for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

### Sponsorship income

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable (where there are no performance related conditions), where the receipt is probable and it can be measured reliably.

### Donations

Donations are recognised on a receivable basis (where there are no performance related conditions) where receipt is probable and the amount can be reliably measured.

### Other income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the Academy Trust has provided the goods or services.

### Donated goods, facilities and services

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items, they are not recognised in the accounts until they are sold. This income is recognised within 'Income from other trading activities'.

Where the donated good is a fixed asset, it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Academy Trust's accounting policies.

## **Expenditure**

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent and depreciation charges allocated on the portion of the asset's use.

All resources expended are inclusive of irrecoverable VAT.

### Expenditure on raising funds

This includes all expenditure incurred by the Academy Trust to raise funds for its charitable purposes and includes costs of all fundraising activities, events and non-charitable trading.

### Charitable activities

These are costs incurred by the Academy Trust's educational operations, including support costs and costs relating to the governance of the Academy Trust apportioned to charitable activities.

### Governance costs

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

## **Tangible fixed assets and depreciation**

Assets costing £2,500 or more per item (or less if they form part of a larger purchase or project where the total cost exceeds £10,000) are capitalised as tangible fixed assets 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 private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding that require the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset on a straight line basis over its expected life as follows:

|                                  |              |               |
|----------------------------------|--------------|---------------|
| Computer equipment               | 3 – 5 years  | Straight line |
| Fixtures, fittings and equipment | 5 – 15 years | Straight line |

## **Fixed Asset Transfer from Predecessor School**

Where fixed assets were transferred to the charitable company from the predecessor school, these have been included at a value determined in accordance with the policy described below:

### Land

Where land is owned (or occupied under the terms of a long term lease), subject to a legally binding restriction as to its use, it is valued at fair value, based on existing use.

### Buildings

No specialist buildings have been transferred from the predecessor school.

### Other fixed Assets

Other assets transferred from the predecessor school are also included at depreciated replacement cost (subject to the capitalisation limit set).

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.

## **Liabilities**

Liabilities are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Academy Trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

## **Leased assets**

Rentals payable under operating leases are charged against income on a straight line basis over the period of the lease.

## **Taxation**

The Academy Trust is considered to pass the tests set out in Paragraph 1, Schedule 6 of the 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 of the 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 the charitable purposes.

## **Pension's benefits**

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

## **Teachers' Pension Scheme**

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 quadrennial valuations using a prospective unit credit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated

as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate.

### **Local Government Pension Scheme**

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 credit 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 the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

### **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 Governors.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the ESFA/DfE.

### **Critical accounting estimates and areas of judgement**

Accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Critical accounting estimates and assumptions

The Academy Trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

The present value of the LGPS defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions will impact on the carrying amount of the pension liability.

## Appendix 1

### Authorised users of the School Finance Software

| Post                              | Post holder          | Read /Write                                           |
|-----------------------------------|----------------------|-------------------------------------------------------|
| Head Teacher                      | Jane Day             | No access                                             |
| Deputy Head Teacher               | Emma Downing         | No access                                             |
| School Business Manager           | Elaine West          | Read /Write                                           |
| Senior Administration Officer     | Elaine Snow          | Read /Write                                           |
| Finance Support                   | Kimberley Stephenson | Read/Write (NOT BACS)<br>No access (Sum Up card only) |
| Budget Adviser                    | Jane Cousins (JCA)   | Read /Write                                           |
| Finance support                   | Lisa Butler (JCA)    | Read /Write                                           |
| OpenAir Systems – systems support | Various              | Read /Write                                           |

## Posts, Post Holders and Cheque/BACS/Direct Debit Signatories as at date of last revision

| Post/ area of responsibility  | Post holder        | Budget holder | Cheque/BACS/DD signatory |
|-------------------------------|--------------------|---------------|--------------------------|
| Chair of Governors            | Carol Kellas       | No            | No                       |
| Head Teacher                  | Jane Day           | Yes           | Yes                      |
| Deputy Head Teacher           | Emma Downing       | Yes (Deputy)  | Yes                      |
| Teacher                       | Helen Amusan       | No            | Yes                      |
| Support Teacher               | Sanjana Vijapura** | No            | Yes                      |
| School Business Manager       | Elaine West*       | No            | No                       |
| Senior Administration Officer | Elaine Snow*       | No            | No                       |
| Premises' Manager             | Colm Conneely***   | No            | No                       |

\* BACS Inputter Authority

\*\* School Purchase card holder £6000 limit

\*\*\* School Purchase card holder £500 limit