



# Finance Policy

Created by Sam Taylor October 2023	Ratified by Trustees October 2023
Next Review due October 2024	

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## 1. Background

- 1.1. The purpose of this policy and associated procedures is to ensure that the Keystone Academy Trust ("the Trust") maintains and develops systems of financial control which conform to the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of the Trust's Funding Agreement with the Education & Skills Funding Agency (ESFA).
- 1.2. The Trust must comply with the principles of financial control outlined in the academies guidance published by the ESFA. This policy expands on that and provides detailed information on the Trust's accounting procedures. It should be read by all staff involved with finances and financial systems.
- 1.3. This policy relates to all of the Trust's academies. Adherence to the principles and procedures contained in this policy is mandatory for all staff.
- 1.4. This policy is designed to be consistent with:
  - 1.4.1. ESFA Academies Handbook
  - 1.4.2. Trust Articles of Association / Constitution
  - 1.4.3. Master and Supplemental Funding Agreements
  - 1.4.4. HM Treasury's "Regularity, Propriety and Value for Money".

This Policy also contains the following appendices:

- Appendix 1 Financial Authorisation Limits

## 2. Organisation

The Trust has defined the responsibilities of each person involved in the administration of the Trust finances to avoid the duplication or omission of functions and to provide a framework of accountability for trustees and staff:

- KAT Governance Scheme of Delegation
- KAT Committees' Terms of Reference

### The Chief Executive Officer

2.1 The Chief Executive Officer (CEO) is the Accounting Officer with responsibilities as described in HM Treasury's "Regularity, Propriety and Value for Money".

The Accounting Officer has personal responsibility for the propriety and regularity of the public finances for which he/she is answerable. It must be ensured that, in considering proposals relating to the expenditure or income for which they have responsibilities, all relevant financial considerations are taken into account and full regard is had to any issues of propriety or regularity.

2.4 The main responsibilities of the Accounting Officer include:

- the development of the annual budget.
- the development of medium-term financial planning

- the regular monitoring of actual expenditure and income against budget.
- ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 1985 and the DfE and ESFA guidance issued to academies.
- Ensuring that the regular reports provided to the Board are timely and accurate.
- Authorising orders and the award of contracts within the approval limits shown in Appendix 1.
- Authorising payments within the approval limits shown in Appendix 1

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

2.5 Within the framework of the Trust's Development Plan, each Academy Head has overall executive responsibility for their academy's activities including financial activities. Much of the financial processing responsibility has been delegated to the Central Finance Team but the Head still retains financial responsibility for:

- approving new staff appointments within the authorised, budgeted establishment, except for any senior staff posts which the Board of Trustees have agreed should be approved by them or the CEO.
- ensuring staff are aware of the purchasing policy and the need for value for money in all purchases.
- authorising orders and the award of contracts within the approval limits shown in Appendix 1.
- approving payments within the approval limits shown in Appendix 1.
- ensuring the preparation of and delivery of the academy annual budget as approved by the Trust.
- monitoring the regular budget reports and acting on overspends or risk.
- with their purchasing administrator and the Central Finance Team ensuring the academy maintains sufficient financial records in order for the Trust to meet the ESFA requirements and submissions and Companies Act compliance.

### **Chief Financial Officer**

2.6 The CFO and the Deputy CFO works with the CEO and Deputy CEO. The CFO has direct access to the Board.

The main responsibilities of the CFO are:

- the management of the Trust's financial position at a strategic and operational level within the framework for financial control determined by the Board.
- the maintenance of effective systems of internal control.
- ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of each academy.
- the preparation of budgets and medium-term financial plans.
- ensuring returns to ESFA and other funding agencies are completed correctly and on time.
- ensuring returns to statutory agencies are completed correctly and on time.
- cash flow and treasury management including managing investments.
- functional management of Finance staff.

- authorising orders and the award of contracts within the approval limits shown in Appendix 1.
- authorising payments within the approval limits shown in Appendix 1.

### **Finance Staff**

2.7 Financial processing within Keystone is primarily centralised with each academy having an administrator with purchasing responsibilities who liaises with the central finance team.

The Central Finance Staff work in close collaboration with the CFO.

The main responsibilities of the Finance Staff may include:

- the day-to-day management of financial issues.
- the day-to-day management of purchases including ensuring appropriate authorisation and processing.
- assisting with the monthly management accounts in conjunction with the CFO.
- assisting with the development and monitoring of the annual budget in conjunction with the CFO.
- Ensuring that all purchases demonstrate Value for Money.
- ensure that payments are authorised within the approval limits shown in Appendix 1.
- Ensuring that financial controls are working effectively at academy level and ensuring the completeness of financial records.

### **Internal Audit**

2.8 The Internal Auditors are appointed by the Board (through the Audit, Risk and Remuneration Committee) and provide Trustees with an independent oversight of the financial affairs. The main duties of the Internal Auditors are to provide the Board with independent assurance that:

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

2.9 The internal auditors undertake a regular programme of reviews (at least annually) to ensure that financial transactions have been properly processed and that controls are operating effectively. A report of the findings from each visit will be provided to the Audit, Risk and Remuneration Committee for review.

### **Other Staff**

2.10 Other members of staff, primarily leaders, managers, officers, administrators, assistants and budget holders, will have some financial responsibilities and these are detailed in the following sections of this policy and in individual job descriptions and roles.

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

## **Conflict of Interest**

2.11 It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from the decisions they make. To avoid any misunderstanding that might arise all Trustees, Members and senior staff with purchasing influence (and all staff at the discretion of each school) are required to declare any financial interests they have in companies or individuals from which the Trust may purchase goods or services. The register is open to public inspection.

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

2.13 The existence of a register of business interests does not detract from the duties of trustees and staff to declare interests whenever they are relevant to matters being discussed by the board or a committee. Those who are considered to have a conflict of interest in the business proposed must absent themselves from any such discussion or vote.

2.14 All related parties must be reported to the ESFA in line with the direction of the Academies Handbook.

## **3. Accounting system**

3.1 The Academy Trust currently uses Sage for Academies at all its academies. All financial transactions of the Trust must be recorded on this system.

### **Back-up Procedures**

3.2 The CFO is responsible for ensuring there are effective back up procedures for the finance system including cloud based.

### **Transaction Processing**

3.3 All transactions input to the accounting system must be authorised in accordance with the procedures specified in this policy.

### **Reconciliations of Balance Sheet Accounts**

3.4 The Central Finance Team is responsible for ensuring all balance sheet accounts are reconciled monthly.

## **4. Financial Planning**

4.1 Please refer to the Financial Planning Policy.

## **5. Payroll**

5.1 Please refer to the Payroll Policy

## 6. Procurement

6.1 The Trust wants to achieve the best value for money from all its purchases. This means getting goods at the correct quality, quantity and time at the best price possible. A large proportion of purchases will be paid for with public funds and there is a need to maintain the integrity of these funds by following the general principles of:

- Probity - it must be demonstrable that there is no corruption or private gain involved in the contractual relationships of the Trust.
- Accountability - the Trust is publicly accountable for its expenditure and the conduct of its affairs.
- Fairness - that all those dealt with by the Trust are dealt with on a fair and equitable basis. It is particularly important in the case of the Trust that any tenders where a Trustee may have a conflict of interest be managed with utmost probity.

6.2 Transactions with connected parties, including with trustees, members or governors, and senior staff should be at cost and not include a profit element in line with ESFA guidance. All related party transactions must be registered in advance with the ESFA.

### Routine Purchasing

6.3 Budget holders will be informed by Heads of the budget available to them at the start of the academic year. It is the responsibility of the budget holder to manage the budget working with the SLT and Central Finance to ensure that any expenditure is consistent with the objectives of the academy.

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

6.5 It is necessary to take the principles of best value into account at all times although this is not necessarily the lowest cost. An explanation will need to be provided when the lowest cost quotation or tender is not accepted. **Three quotations must be sought for expenditure in excess of £5,000.**

6.6 Any purchases under £5,000 should be regularly reviewed to ensure best price and value for money.

6.6 Any expenditure which appears to be of a **contentious or novel nature** should be referred to the CFO for approval (if below £1,000) or the CEO (if above £1,000). ALL such transactions must be pre-approved by the ESFA.

A definition of such expenditure is that which might attract public attention.

Some examples, although this list is not exhaustive, include:

- Any payments in relation to the termination of employment contracts
- Any settlement agreements
- Any related party transactions or connected party transactions – including with trustees or governors
- Any transactions with consultants.

### Forms of Tenders

6.7 Details of forms of tenders and how to run a tender process are included in the Purchasing – Finance Procedure Policy tender policy.

### **Procurement Team**

6.8 MAT-wide purchases and contracts will fall under the remit of the Central Purchasing Team managed by the Chief Operations Manager.

### **Charge Cards**

6.9 Charge cards can be issued to senior management of the academies. **These cards must not be removed from the school site and pin numbers will not be issued.** Each card will be set with a credit limit appropriate to the card holder and must only be used for school and not personal expenditure. These cards should only be used when a supplier demands immediate payment and does not accept other payment methods e.g., internet purchases. VAT receipts should be obtained for such purchases. Receipts will be matched to the monthly statement and the monthly statement signed by the card holder. The administrator with purchasing responsibilities will collate the information and provide it to the Central Finance team. They will confirm the completeness of the records. The balance on the purchasing card statement will be paid in full each month by direct debit.

## **7. Income**

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

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

7.3 The Trust also obtains income from:

- pupils, for example trips, activities, school dinners, nursery, wraparound care
- the public, mainly for lettings.

7.4 Please refer to the Trust Income Policy for more details

### **Trips**

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

The designated staff member will be responsible for setting the budget, ensuring the parental payment is collected, producing a reconciliation etc. and ensuring that sufficient income is received to enable the trip's costs to be covered. The actual cost to parents should also be considered both on a trip basis and on an annual basis to ensure that excessive financial demands are not placed on parents/carers.

### **Lettings**

7.5 Letting and hire of the Trust facilities will be conducted in line with the Lettings Policy for each academy. All lettings must be set at a minimum break-even price.



## **Custody**

7.6 Schools should minimise the number and size of cash transactions. Monies collected should be held securely in the Academy safe and should be banked and reconciled within a week. No funds over £2,000 should be held overnight. No monies should be taken from funds collected. No school should hold a petty cash tin.

## **8. Cash Management**

### **Bank Accounts**

8.1 The opening of all accounts must be authorised by the CEO and CFO. If the terms of the bank account differ from existing accounts, then the CEO and CFO must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. The operation of systems such as Bankers Automatic Clearing System (BACS) and other means of electronic transfer of funds must also be subject to the same level of control.

### **Payments and withdrawals**

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

This provision applies to all accounts, public or private, operated by or on behalf of the Board of the Trust.

### **Administration**

8.3 All bank accounts must be reconciled monthly by Central Finance and checked by the CFO.

### **Petty Cash Accounts**

8.4 Academy Trusts should not have any petty cash accounts and any cash/cheques held in school should be banked at the soonest available opportunity.

### **Cash Flow Forecasts**

8.5 The Central Finance Team is responsible for preparing monthly cash flow forecasts for twelve months ahead to ensure that the academy has sufficient funds available to pay for day-to-day operations and notifying the CEO of any likely shortfalls or surpluses.

## **9. Fixed assets**

9.1 All fixed asset additions, as identified in paragraph 9.3, must be approved in line with spending authorities and consistent with the Trust's overall strategy for development.

9.2 All expenditure on IT equipment, IT infrastructure and related IT developments must be consistent with the Trust's overall IT strategy.

### **Asset register**

9.3 For the purpose of financial reporting, all items purchased with a value over the academy's capitalisation limit of £2,000 must be capitalised. This may include grouping together similar items such as iPads.

#### 9.4 All assets

- with a value of over £2,000
- with a value below £2,000 but considered 'attractive' must be entered on an Asset Register.

The CFO will review the Asset Register on a yearly basis to ensure completeness and identify any discrepancies.

#### 9.5 The Asset Register helps:

- to ensure that staff take responsibility for the safe custody of assets.
- to 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.
- the external auditors to draw conclusions on the annual accounts and the Trust's financial system and
- to support insurance claims in the event of fire, theft, vandalism or other disasters.
- security & disposal of assets.

### **Security of Assets**

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

9.7 All the items in the asset register should be permanently marked as the Trust's property where appropriate and there should be a regular (at least annual) count by someone at the academy trust other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, if it exceeds £500, reported to the CFO. Inventories of Trust property should be kept up to date and reviewed regularly.

### **Loan of Assets**

9.8 Items of Trust property, except staff laptops or tablets, must not be removed from academy premises without the authority of the Head. The removal must be documented and signed by both the borrower and the Head.

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

### **Disposals**

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

9.11 Disposal of equipment to staff is not encouraged, as it is difficult to evidence the Trust obtained value for money in any sale or scrapping of equipment.

In addition, there are complications with the disposal of computer equipment, as the Trust would need to ensure licenses for software programmes have been legally transferred to a new owner.

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

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

### **Leases**

9.14 The Trust is able to enter operating leases as outlined in the Academies Handbook.

9.15 All leases must be approved by the CFO and CEO in line with approval authorities.

## **10. Depreciation Policy**

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

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

## **11. Companies Policy**

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

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

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

12.3 All revenue reserves are controlled by the Trust Board including those transferred in upon conversion and cannot be spent without the approval of the Board. The intention is that transferred reserves and future surpluses/deficits will be retained by the individual academy unless the board directs otherwise.

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

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

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

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

## **13. Trustees' Expenses**

13.1 Trustees and Members of the Trust may claim for reasonable expenses incurred by him or her when acting on behalf of the Trust, in line with the Trust policy of allowed expenses.

Reasonable travel and subsistence expenses will include:

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

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

Trustees and members may not claim for:

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

The level of expenses that can be claimed will be no higher than that used for staff in KAT and the Academies.

## **14.Tax**

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

14.2 The CFO will ensure that Corporation Tax returns are completed on time and in accordance with legislation.

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

14.4 IR35 Regulations are administered and documented.

## **15.Insurance**

15.1 The Trust is a member of the DfE Risk Protection Arrangement and expects all academies to be a member of this arrangement

15.2 For items such as vehicles, engineering inspections and international trips not covered by the RPA the Central Purchasing Team will secure appropriate insurance.

## **16.Bad Debts**

16.1 The procedures for debt recovery and for the write-off of any debt which is deemed to be irrecoverable will follow the bad debt policy.

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

16.3 Income from lettings will be collected in accordance with the Academy Lettings Policy.

16.4 Overpayments to staff will be collected through payroll either in whole or through a payment plan. If the employee has left, then the CFO will contact the ex-employee to explain the situation and propose a method to recover the money. If the ex-employee does not keep to any payment agreements or refuses to pay, then the bad debt policy will be followed.

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

16.5 The Trust will retain a Bad Debt Write-Off Summary if required.

## **17. Contracts and Subscriptions**

17.1 Contracts and Subscriptions can be categorised as:

- Fixed Term – no automatic renewal
- Fixed Term – automatic renewal
- Rolling Term

17.2 All contracts and subscriptions must be reviewed annually in time for cancellation or renewal. Contracts will be added to compliance software to flag when this date is.

17.3 The reviews will be led by the Central Finance and Operations Team and will consult with the opinions of the Senior Leadership Team of each school.

17.4 The review will primarily consider value for money and take into account:

- Price,
- Proof of usage by the schools,
- Impact,
- Service delivery:
  - Impact of non-delivery
  - Deadline missing
  - Impact of mistakes
  - Communication
  - Hidden or Spiralling Costs.
- KAT-wide versus specific schools, and
- Staff availability to implement fully.

17.5 A review will be performed more frequently if there is evidence of the supplier not meeting their contractual obligations and/or the contract/subscription not meeting the need of the Trust.