

## Financial Regulations and Scheme of Financial Delegation

<b>Policy</b>	<b>Financial Regulations and Scheme of Financial Delegation</b>	
<b>Owner</b>		
<b>Trust Committee</b>	Audit and Risk	
	Updated	October 2017
	Consultation	Continuing
	Approved by the Trust	November 2017
	Next Review Date	November 2018
<b>Signed</b>	Name	
	Position	

### Related Documents:

LCT Memorandum of Understanding and Articles of Association (July 2017)  
 ESFA Academies Financial Handbook (2017)  
 ESFA Funding Agreement (Annual)  
 LCT Scheme of Delegation  
 LCT Committee Terms of Reference  
 LCT Risk Management Policy  
 LCT Fees and Charges Policy (pending)  
 LCT Budget Principals and Funding Model (pending)  
 LCT Whistleblowing Policy – Speak Up  
 LCT Finance Office Procedures including School Funds (documented with Internal Audit)

**Objective:**

To provide a sound framework of internal control and accountability that safeguards the Trust's financial position and assets, and complies with funders' requirements and best practice.

**Introduction:**

As a registered company limited by guarantee and an exempt charity, the Trustees have a legal responsibility to manage the Trust's financial affairs effectively, in accordance with company law, its Memorandum and Articles of Association and Funding Agreement with the Education and Skills Funding Agency (ESFA). The Academies Financial Handbook (2017) gives further detailed guidance on how these requirements must or should be put in to practice.

The Trust's primary financial responsibilities involve ensuring that proper accounting records are kept, that annual reports and accounts are produced and filed and that effective control is exercised over income, expenditure and reserves so that the proper stewardship of public funds and continued solvency are maintained.

**Responsibilities:**

**Trust Board:** Have overall responsibility for the mission, ethos and strategic direction of the Trust. Hold executive leaders to account for the educational performance of academies and pupils, and the performance management of staff. Approve annual budgets, major capital expenditure and significant variations. Receive termly reports on the financial position, including budget updates and the audited year-end financial statements. Ensure that major decisions are supported by full consideration of the financial implications and risks. Ensure that a sound system of internal controls, risk management and assurance is in place and working effectively. In practice, some of these responsibilities are managed through the Business and Personnel Committee, the Audit and Risk Committee and Local Governing Bodies (LGBs).

**Executive Principal and Accounting Officer:** Have a personal responsibility to Parliament, and to the ESFA's Accounting Officer, for the Trust's financial resources. Develop a culture of effective planning, prudent financial management and transparency at all levels within the Trust that is aligned to strategic objectives, ensures overall financial health and value for money and keeps the Board and LGBs informed of major developments. Ensure effective monitoring of financial performance and intervention so that financial targets and key performance indicators (KPIs) are achieved. Secure external funding. Ensure that information submitted to agencies including pupil number and funding claims is accurate and complies with funding criteria.

**Chief Finance Officer:** Provide technical leadership on all financial matters. Ensure the effective provision of accounting, payroll and cash management functions that deliver reliable and secure financial administration, record keeping and management reports so that the Trust operates legally and is financially sound. Ensure that accounting and payroll systems meet the requirements of all statutory and regulatory bodies including the Charities Commission, Department for Education and HMRC. Produce forecast and budgets, financial analyses and support for funding bids and returns. Work with LGBs and academy staff to ensure that they remain within budget. Prepare statutory year-end accounts and tax returns. Work with internal and external auditors and other professional advisors to devise and implement effective systems of internal control and risk management.

**Academy Principal:** Ensure the effective financial management of all academy business, including accurate financial planning, budget setting and regular review. Work closely with the Executive Principal to ensure that all financial targets are achieved. Advise the LGB on the latest position and future budget projections on a termly basis. Ensure that the academy's financial systems operate effectively and in accord with the Scheme of Financial Delegation. Promote the highest standards of financial integrity and accountability throughout the school, ensuring that the Financial Regulations are understood and followed by all staff.

**Budget Holder:** Ensure that budget targets are met and that all authorised transactions offer value for money and comply with the Scheme of Financial Delegation and good practice. Maintain appropriate supporting records for audit purposes.

## Procedures

### Financial Planning and Budgets:

1. The Trust will prepare a high level three year financial plan that takes account of planned and anticipated developments. This will be underpinned by a sensitivity analysis and will be used to inform strategic decision making and identify the key actions needed to maintain financial health.
2. Detailed academy budgets including capital budgets will be prepared in accord with the Trust's Budget Principals and Funding Model and presented to the LGB in advance of each financial year. The budget report will be consistent with the curriculum plan and pupil number projections and will assess anticipated financial performance and health against key performance indicators (KPIs). It will identify the key financial risks to be monitored and addressed.
3. A consolidated budget which takes full account of all Trust activities and brought forward balances will be compiled and approved by the Trust Board in advance of each financial year. The Trust Board will aim to set a balanced budget which can draw on unspent funds brought forward from previous years. In the unlikely event that it is formally proposing to set a deficit revenue budget, the ESFA must be informed in writing within 14 days.
4. A copy of the approved budget will be submitted to the ESFA each year in the required format and in accord with the published timetable.
5. LGBs must ensure that they operate within the approved budget and take early action to investigate and address major variations. To assist with budget monitoring, the Principal can approve budget virements in line with the Financial Scheme of Delegation. However, any significant budget variations must be considered by the relevant LGB and proposed changes approved by the Trust Board on a termly basis.

6. Management accounts will fully reflect year to date actuals and known commitments and will provide an explanation of significant variations.
7. The Chief Finance Officer will compile and update a rolling cash flow forecast that will be consistent with latest cash position and budget approvals. This will identify corrective action that is needed to ensure that the Trust does not go overdrawn.
8. The Trust will seek to ensure that it holds an appropriate level of reserves that, at a minimum, ensures that an acceptable level of working capital and contingency is maintained. The adequacy of such reserves will be formally reviewed by the Board at least annually.
9. The Executive Principal will inform the Trust Board in writing if, at any time, in her opinion, any action or policy under consideration by them is incompatible with the Articles, Funding Agreement or ESFA Academies Financial Handbook. Having considered the Trust response, the Executive Principal must immediately report any breaches to the ESFA in writing.

### **Reporting:**

1. Management accounts and cost centre reports will be circulated to academy Principals, Business Managers and budget holders for review and follow up on a monthly basis.
2. Consolidated management accounts, including a balance sheet, KPIs and a rolling cash flow forecast will be presented to the Executive Principal for review and follow up on a monthly basis. Major unfunded variations over £10,000 in value and other concerns will be raised with the Business and Personnel Committee at the earliest opportunity.
3. Management reports and KPIs will be presented to the LGBs and Trust Board on a termly basis. The reports will identify major variations and trends, and provide an updated budget forecast for approval by the Trust Board as appropriate.
4. The audited year-end financial statements will be presented to Trust Board and members. These will be compiled in accord with the relevant Statement of Recommended Accounting Practice and the Accounts Direction published by ESFA, and will be accompanied by a full report from the external auditors. The Executive Principal acting as the Trust's accounting officer will advise on and sign off the statement of regularity, propriety and compliance.

**Expenditure:**

1. The Trust will operate a full commitment accounting system, ensuring that all management reports are up to date, complete and fully consistent with the approved budget profile. The Chart of Accounts will be in a form agreed with the external auditors so that the Trust's reporting responsibilities can be met.
2. All budget accounts will clearly identify a named budget holder.
3. All expenditure must be for legitimate Trust purposes and fully contained within the approved budgets.
4. All expenditure will approve in writing and in advance by the budget holder through standard requisitions. The only exceptions will be cyclical spending which is fully supported by contracts e.g. mobile phones and utilities, school meals, PFI contract payments and examination fees. Verbal orders are not permitted and are not binding.
5. Budget holders are responsible for ensuring value for money in all financial transactions and for avoiding all potential conflicts of interest. In most cases, this can be achieved by using nominated suppliers and by obtaining written quotations for higher value items. When in doubt, written advice should be sought from the Business Manager and/or Chief Finance Officer.
6. Expenditure over £30,000 in value will follow a full tender process based on a written specification which will be distributed to at least 3 suitable suppliers. Further detailed guidance on operating a fair and transparent process can be obtained from the Chief Finance Officer. Sealed tender submissions will be opened by the budget holder, in the presence of the Business Manager (or nominee) and will be evaluated against agreed criteria. Supporting records must be retained for audit purposes. Such orders will be approved in writing by the Executive Principal, who can accept other than the lowest tender in exceptional circumstances so long as the decision is fully justified and documented.
7. All new suppliers must be authorised by the Chief Finance Officer who will undertake appropriate checks, including through bank and customer references and against the register of business interests maintained by the Trust and each academy.
8. Official purchase orders produced by the Finance team will be uniquely numbered and dated, and will include details of the Trust's payment terms and conditions.
9. All contracts will be signed by the Executive Principal or named Trustees and will be for a maximum period of 5 years.
10. Budget holders are responsible for checking and confirming that goods have been received and will inform the nominated asset manager where purchases should be entered onto the asset register or inventory.
11. Invoices will only be authorised for payment by Business Managers once they are satisfied that goods or services have been received in full and are fit for purpose.
12. Separate arrangements exist for School Funds. These are fully documented based on the school's own systems and will be audited each year. The School Fund is solely for pupil related and pupil funded activities and must not be used for other purposes.

13. Each academy will operate a petty cash imprest. This will cover low value one off expenditure which will be reimbursed in cash following authorisation by the relevant budget holder. It will not be used to reimburse expenses which should be processed through payroll. It will not be used to reimburse expenditure which should have followed the usual requisition and ordering process.
14. The petty cash imprest will be fully reconciled and reimbursed monthly or more regularly if required. Cash floats must be held securely in a locked safe at all times and safe limits must not be exceeded. The cash cannot be used for other purposes.

#### **Payroll:**

1. Payroll will be operated under secure arrangements agreed with the Trust's payroll agent. The agent will be authorised to process, distribute and retain personal information within agreed safeguards that comply with the Trust's Data Protection Policy, and will complete BACs payments and submit related tax returns. The Chief Finance Officer, working with academy Business Managers will undertake monthly reconciliations and other checks to ensure that payroll records are complete and accurate and that related returns and payments are made on time.
2. All new posts will be approved in writing by the Executive Principal following consideration by the relevant LGB. All other changes to payroll will be approved in writing by the Principal. This includes all travel and expenses claims which have been checked and countersigned by line managers or budget holders.
3. The Trust Board will ensure that payroll arrangements, including those for senior employees fully meet their tax obligations and comply with HM Treasury guidance; and that decisions about executive pay follow a robust evidence-based process that reflects individual managers' roles and responsibilities.
4. All special payments including staff severance payments above the statutory or contractual limit, compensation payments and ex gratia payments must be referred to the Executive Principal and the Trust's Business and Personnel Committee to ensure that the proposals are fully justified and comply with ESFA requirements.
5. Each academy is responsible for ensuring that its payroll is accurate and up to date and that all changes are fully authorised in line with the Trust's Pay Policy and Financial Scheme of Delegation.
6. With the exception of the Executive Principal, members, trustees and governors will not be paid for undertaking their governance roles, although they can claim direct expenses in line with standard rates agreed for staff. This does not preclude members of staff from joining LGBs.
7. Connected party transactions will only be undertaken 'at cost' and are expected to be below the de minimus limit of £2,500 per annum. The supply of related goods or services must be secured through an open and fair, and fully documented process. The Trust will seek the ESFA's prior approval for transactions with connected parties that are novel, contentious and/or repercussive.

#### **Income:**

1. The Trust's Fees and Charges Policy sets out how services and goods will be fully costed and fees recovered, and outlines the circumstances when remission can be offered. It also provides guidance on whether VAT will be chargeable. This policy must be followed at all times, including transactions under the School Fund.
2. All grant bids and returns will be based on accurate and auditable financial information under arrangements agreed with the Executive Principal.

3. All income will be properly receipted and banked intact within 10 working days of receipt. In the meantime, it will be held securely in a safe or secure location as per safe limits and insurer's requirements.
4. All invoices and credit notes will be raised promptly in the approved format, and all credit notes must be authorised by the Business Manager.
5. Contracts for lettings and tenancies will be approved by the Executive Principal (limitations on leasehold interests may apply).
6. In the unlikely event that debts are not recovered promptly, they will be referred to Principal and Chief Finance Officer so that further recovery action can be taken. Debts can only be written off with the written agreement of the Principal, Executive Principal or ESFA depending on their value.

#### **Banking and Investments:**

1. All bank accounts and debit cards will be opened and operated through arrangements approved by the Trust Board.
2. All bank account payments, direct debit instructions and cheques will be authorised by 2 signatories as per the bank mandate. Open cheques in the form of cash payments will only be authorised to reimburse petty cash, or for agreed School Fund activities.
3. All BACs payments must be authorised by the Chief Finance Officer or Executive Principal so that cash flow can be effectively managed. In the case of payroll, authorisation is delegated to the Trust's payroll agent.
4. The Chief Finance Officer is authorised to transfer funds between designated bank accounts for cash management purposes.
5. The Trust cannot borrow and cannot go overdrawn without the prior consent of the Trust Board, its bankers and the ESFA.
6. Investments will be limited to instant access deposit accounts operated by the Trust's approved bankers.
7. All operating lease and similar agreements must be authorised by the Executive Principal or named Trustees. ESFA's prior written consent may be required in line with section 3.9 of the Academies Financial Handbook.
8. The Trust must not enter into finance lease agreements or other forms of secured/unsecured credit.

9. Debit cards, including fuel cards will be issued to a limited number of responsible managers and staff for use on legitimate Trust business only. Their issue, security and use will be carefully controlled, and Business Managers will ensure that statements are independently reviewed, reconciled and signed off on a monthly basis. The Chief Financial Officer will retain a record of all the cards issued and will undertake random checks on these.
10. Paypal or similar accounts will not be permitted.
11. Academies will be responsible for undertaking their own bank reconciliations and clearing suspense accounts within 7 working days on month end. These processes will be checked and signed off by the Chief Finance Officer on a monthly basis.

#### **Assets:**

1. The Trust will establish separate budgets for capital expenditure. All major projects and the arrangements for managing sinking funds will be approved by the Trust Board. Related expenditure and the utilisation of capital grants will be clearly identified against approved budgets and monitored under the monthly and termly financial reporting arrangements outlined above.
2. The Trust must seek prior written consent from the ESFA before acquiring or disposing of freehold land and buildings, before entering into certain leasehold agreements or disposing of heritage assets beyond the limits laid out in the funding agreement.
3. Assets will be security marked as appropriate. An asset register, inventories and stock records will be maintained by each academy and reviewed at least annually by the Chief Finance Officer and external auditors.
4. All staff are responsible for ensuring that reasonable levels of security are maintained over assets and portable equipment in their immediate work areas. With the exception of designated laptops and mobile phones, approved sports events and visits, Trust property must not be taken off site or used for personal/other purposes without the prior written approval of their line manager and Business Manager.
5. Any lost or stolen items will be reported immediately in writing to the Principal and Chief Finance Officer, and to the police as appropriate.
6. Surplus or obsolete assets and stock will be disposed of under arrangements agreed with Chief Finance Officer. Where possible, at least 2 written quotations will be obtained and the goods will be sold to the highest bidder.

#### **Internal Controls:**

1. External and internal auditors will be appointed annually by members on the advice of the Audit and Risk Committee and Trust Board. The contract will be regularly reviewed, and retendered after a maximum of 5 years. The letters of engagement must provide for the removal of auditors before the expiry of their term of office, separate letters will be needed for additionally commissioned work and the Trust will notify the ESFA immediately if the auditor is removed or resigns.
2. The Executive Principal will work with the Audit and Risk Committee to oversee the work of audit teams and to implement accepted recommendations.
3. The Executive Principal will receive an annual letter from the ESFA's accounting officer regarding the accountability framework operating within the sector. This will be shared with members, trustees and senior staff and will be presented to the Trust Board to ensure that appropriate and timely follow up action is taken.
4. All staff must be made aware of the Trust's Speak Up Policy. It contains details of how the Trust deals with whistleblowing, including allegations of a financial nature.

5. Any suspicion of fraud, theft, corruption, money laundering or other financial irregularity must be reported immediately and in confidence to the Executive Principal and Chair of the Audit and Risk Committee. They will liaise with the Chief Finance Officer to ensure that a full and independent investigation into the concerns is carried out, and followed up in writing. If any of them are directly or indirectly implicated or too closely associated with the allegations, then the Trust Chair and Director of Finance must be informed and will put alternative arrangements in place. Information will be shared, and advice sought from the Trust's auditors and the police will be involved at an early stage as necessary. The ESFA will be informed in writing if losses exceed £5,000 in value individually or cumulatively in a financial year.
6. The Chief Finance Officer and Business Managers will hold a register of direct business interests for all members, trustees, local governors, senior managers and budget holders which will be reviewed and updated on a regular basis. This will include details of material interests arising from close family relationships. If any member, trustee, governor or senior manager has a direct pecuniary interest, this should be declared and recorded at the relevant Board/LGB meeting before discussions or decisions on related matters take place. If any budget holder has such an interest, they should declare it in writing and absent themselves from the related processes.
7. The Chief Finance Officer will hold a register of gifts, hospitality, awards, prizes or other benefits obtained by staff that might be seen to compromise their personal judgement or integrity, and will ensure that all members of staff are made aware of this requirement.
8. The Trust must disclose aggregate figures for the following transactions in their audited financial statements, together with individual disclosures for transactions over £5,000 in value: gifts made by the Trust; debt write offs and losses; guarantees, letters of comfort and indemnities; special payments (of any value); and transactions relating to freehold, leasehold and heritage land and buildings.
9. The Chief Finance Officer, in consultation with the external audit service will be responsible for advising on all tax matters, and for submitting monthly VAT and annual tax and pension returns.
10. The Trust's nominated IT Manager will ensure secure access to the Sage accounting system, that passwords are regularly updated, that appropriate cyber security arrangements are in place and that systems and data are fully backed up on an agreed cyclical basis. Online read-only banking access limited to essential users and auditors.
11. New Sage users and their access rights will be authorised in writing by the Principal or Executive Principal who will ensure that an appropriate separation of duties is maintained. This is a complex area and if unsure, advice should be sought in writing from the Chief Finance Officer and/or internal auditor.
12. All bank accounts and control accounts should will reconciled each month and written evidence retained.
13. All prime financial documents and key working papers must be properly filed and stored securely for a period of 7 years.
14. The Executive Principal will ensure that the Trust is adequately insured and will submit an annual report to the Audit and Risk Committee identifying the nature and level of cover, premiums paid, details of any claims made and any comments on the continued adequacy of the cover.
15. The Executive Principal, Trust Chair and Director of Finance are authorised by the Board to enter into legal agreements, including leases and contracts on its behalf.
16. The Trust will operate a Risk Management Policy which provides further guidance on how financial and other risks will be managed.

**Scheme of Financial Delegation (Attached):**

*The Financial Scheme of Delegation is written as it applies to each academy. In certain circumstances, the Principal may delegate functions to another senior member of staff e.g. to the Head of the Primary phase at HLC or to a Deputy who can act in his or her absence. Such arrangements must be documented in writing and shared with the Executive Principal and Chief Finance Officer so that a full audit trail is maintained.*

*In the case of centrally managed or Trust wide functions and associated transactions, the equivalent responsibilities are held by the Trust Board (LGB), Trust Chair (Chair), Executive Principal (Principal) and Chief Finance Officer (Business Manager).*

*In all situations, the Scheme of Delegation is intended to ensure that there are no conflicts of interest and that an adequate level of separation of duties is maintained. As a result, authorisations will be undertaken by a more senior manager or the Chair where this is required to ensure adequate segregation and full transparency.*

## Appendix

### Scheme of Financial Delegation

#### 1. Ordering Goods and Services

Value	Delegated Authority	Requirements
Up to £5,000	Budget Holder and Business Manager	Selection from approved supplier or a single quote
£5,001 - £30,000	Budget Holder and Principal	Three written quotations
Over £30,000	Budget Holder, Principal and Executive Principal	Full tender process, note OJEU rules may also apply
Authority to accept other than lowest quote or tender	Executive Principal	
Supplier set up and validation	Chief Finance Officer	Cross reference to Register of Interests as appropriate

#### 2. Creditor Payments

Value	Delegated Authority	Requirements
Goods received	Budget Holder	
Authorised for Payment	Business Manager	
Proceed to Payment (BACS and cheques)	Chief Finance Officer	Creditor payments dependent upon cash position and cleared funds

#### 3. Payroll

Value	Delegated Authority	Requirements
Travel claims and expenses	Line Manager and Business Manager Principal to authorise control sheet	Chair to authorise claims and other payments relating to Principal
Payroll changes other than new posts	Principal	Trust responsible for annual pay award. LGBs to approve annual progression.
Payroll changes relating to new posts	Principal and Executive Principal	Posts require LGB approval.
Payroll reconciliation and sign off	Business Manager	Chief Finance Officer for Trust wide reconciliation

#### 4. Petty Cash

Value	Delegated Authority	Requirements
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Up to £5 per transaction	Budget Holder and Finance Officer	Paid in cash. Receipts must not be split artificially
£5 - £50 per transaction	Budget Holder and Business Manager	Paid in cash. Receipts must not be split artificially
Reconciliations	Finance Manager and Business Manager	Monthly
Float Reimbursement	Bank signatories – see below	Max value £2,000 depending on safe limit

## 5. Bank Account

Value	Delegated Authority	Requirements
BACs	Chief Finance Officer	Executive Principal as reserve
Cheques, direct debits	Principal, Business Manager, other nominated staff	Two as bank mandate
International Transfers	Chief Finance Officer	Executive Principal as reserve
Bank Transfers with Trust accounts	Chief Finance Officer	Executive Principal as reserve
Bank Reconciliation	Business Manager	Chief Finance Officer for Trust wide reconciliation

**Note:** Separate documented arrangements for managing School Funds are available from the Business Manager.

## 6. Debit Card (Multi Pay, Fuel Card etc)

Value	Delegated Authority	Requirements
New Cards	Principal	Must be recorded on central Trust register held by Chief Finance Officer
Within monthly limit	Cardholder	Max values may be set on individual cards
Monthly Card limit	Principal	No more than £2,000 per card
Review and sign off statements	Business Manager	Random checks by Chief Finance Officer

## 7. Budget Changes

Value	Delegated Authority	Requirements
Virements up to £10,000	Principal	Report to Executive Principal and LGB
All other changes	LGB and Trust Board	

## 8. Acquisition and Disposal of Land and Buildings

Value	Delegated Authority	Requirements
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Freehold land and buildings	Trust Board	ESFA prior consent required
Leasehold or tenancy agreement	Trust Board	ESFA prior consent required for 7 or more years

### 9. Write Off or Disposal of Assets

Value	Delegated Authority	Requirements
Up to £100	Business Manager	Where possible, two written quotations
Over £100	Principal	Report to Executive Principal and LGB. ESFA approval and reporting limits apply
Asset Register and Inventory checks	Nominated managers	Annual or more frequent checks by Business Manager

**Note:** All thefts and unexplained losses to be reported immediately in writing to the Principal and Chief Finance Officer, who will advise on insurance and other follow up action.

### 10. Contracts and Operating Leases

Value	Delegated Authority	Requirements
Up to £50,000	Executive Principal	
Over £50,000	Trust Chair or Director of Finance	Report to Trust Board

**Note:** Finance leases and other forms of borrowing are not permitted.

### 11. Invoices and Debt Write Off

Value	Delegated Authority	Requirements
Up to £100	Principal	Report to Executive Principal and LGB
Over £100	Executive Principal	Report to LGB and Trust Board. ESFA approval and reporting limits apply

**Note:** The Trust's Fees and Charges Policy applies at all times, including for School Funds.

### 12. Lettings and Tenancy Agreements

Value	Delegated Authority	Requirements
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All	Executive Principal	Leasehold interest requires ESFA consent
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### 13. Financial Reporting, Tax and Statutory Returns

Value	Delegated Authority	Requirements
Control and Suspense Accounts	Business Manager	Monthly reconciliation. Reviewed by Chief Finance Officer
School Fund	Business Manager	Monthly reconciliation. Reviewed by Chief Finance Officer. Annual audit
Financial Plan (Trust Wide)	Chief Finance Officer	Annually. Trust Board approval required prior to submission to ESFA.
VAT (Trust Wide)	Chief Finance Officer	Monthly
Pensions (Trust Wide)	Chief Finance Officer	Annually. Audit certificate required.
Statutory Accounts (Trust Wide)	Chief Finance Officer	Annually. Audit opinion and Trust/Members' approval required. Submitted to ESFA and Companies House.