



JMAT  
005

# John Milton Academy Trust

## Finance Policy

### History of Document:

Issue No	Author/Owner	Date Written	Reviewed by Trust on	Comments
001	CEO	March 17	Autumn 2017	
002	CFO	April 2019	16-May-19	Updated to incorporate new Director of Finance and Business
003	Director of Finance & Business	July 2019	19-July-19	Updated: reduced section 6 as separate Procurement Policy now in place

## Finance Regulations

To be reviewed every two years unless there is a significant change in procedures that requires alteration of these regulations.

This document should be read with reference to the Scheme of Delegation containing the summary of Financial Authorisation Levels

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### 1. Introduction

- 1.1** The purpose of this document is to ensure that the John Milton Academy Trust maintains and develops robust 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 Department for Education (DfE) and the Education Funding Agency (EFA).

- 1.2** The John Milton Academy Trust must comply with the principles of financial control outlined in the academies guidance published by the EFA. This document expands on that and provides detailed information on the Trust's accounting procedures.

## **2. Organisation**

- 2.1** The Trust has defined the responsibilities of each person involved in the administration of Trust finances to avoid the duplication or omission of functions and to provide a framework of accountability for Executive Leaders (including CEO/Accounting Officer and Director of Finance and Business), School Bursars/Business Managers, LGBs and staff.

### **2.2 The Trust Board**

The Trust Board has overall responsibility for the finances. The main responsibilities of both the Trust and its Schools are prescribed in the Funding Agreements approved by the DfE. In addition, each School operates to a Scheme of Delegation approved by the Trust.

The responsibilities include:

- Ensuring that grants from the EFA are used only for the purposes intended;
- Ensuring that funds are received according to the academy's Funding Agreement, and are used only for the purposes intended;
- Approval of the annual budget;
- Appointment of the CEO/Director of Finance and Business (designated in the Academy Order)
- Appointment of the Headteacher;
- Appointment of the Bursar/Business Manager.

### **2.3 The Finance and Business Committee**

The Finance and Business Committee is a committee of the Trust Board. The Finance and Business Committee meets at least once a term but more frequently if necessary.

The main responsibilities of the Finance and Business Committee are detailed in written terms of reference and include:

- The role of the Audit Committee
- The initial review and authorisation of the annual budget prior to final approval by the Full Governing Body.
- 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, Charity SORP and the EFA guidance issued to academies.
- Approving the scheme of delegation and the summary of financial authorisation levels.
- Reviewing the reports of the internal auditor on the effectiveness of the financial procedures and controls. These reports must also be reported to the full Trust Board.

### **2.4 The Chief Executive Officer**

Within the framework of the Trust, the Chief Executive Officer has overall executive responsibility for the Trust's activities including financial activities as the Accounting Officer. Much of the day to day financial responsibility has been delegated to the Director of Finance and Business, but the Chief Executive Officer still retains responsibility for:

- Authorising orders/contracts up to £25,000 in conjunction with the Director of Finance and Business

- Signing cheques/authorising BACS payments in conjunction with another authorised signatory.

## 2.5 The Director of Finance and Business

The Director of Finance and Business works in close collaboration with the Chief Executive Officer through whom he or she is responsible to the Trust Board. The Chief Financial Officer also has direct access to the Trustees via the Finance and Business Committee. The main responsibilities of the Director of Finance and Business are:

- Having an oversight of the day to day financial issues including the establishment and operation of a suitable accounting system;
- The management of the Trust's financial position at a strategic and operational level;
- The maintenance of effective systems of internal control;
- Ensuring that the annual accounts are properly presented and adequately supported by the records of the school;
- Overseeing the preparation of monthly management accounts;
- Authorising invoices for previously authorised orders/purchases;
- Signing cheques/authorising BACS payments in conjunction with the Headteacher or other authorised signatory;
- Ensuring forms and returns are sent to the EFA in line with the timetable in the DFE/EFA guidance;
- Acting as Company Secretary with regard to the administration of the records at Companies House.

## 2.6 Bursar/Business Manager

Each School within the Trust will have a named Bursar or Business Manager. In some instances the MAT or an agreed provider will operate this role. The named Business/Bursar will work in close liaison with the Director of Finance and Business.

The main financial responsibilities of the Bursar/Business Manager are:

- The day to day management of the financial function within the school;
- The maintenance and development of effective systems of internal control within the school, ensuring separation of duties is maintained in collaboration with the MAT;
- Monitoring budgetary expenditure in line with budget constraints.

## 2.7 Internal Audit

The internal auditor is appointed by the Trust and provides Trustees with an independent oversight of the Trust's financial affairs. The main duties of internal audit is to provide the Trust with independent assurance that:

- The financial responsibilities of the Trust 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.

The internal auditor appointed by the Trust will undertake an agreed programme of reviews to ensure that financial transactions have been properly processed and meet the requirements of the Academies Financial Handbook and that of Charities SORP. An exception report highlighting areas of

concern and improvement from each visit will be presented to the Finance and Business Committee. The internal audit reports will be presented to the Trust Board. This gives all Trustees the opportunity to raise questions regarding the financial administration and discharge their duty to ensure public money is being managed appropriately.

## **2.8 Other Staff**

Other members of staff, primarily the Finance Assistant and budget holders within each School, will have some financial responsibility. All staff are responsible for the security of school property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conforming with the requirements of the School's financial procedures.

## **2.9 Register of Pecuniary 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 Members of the Trust, Trustees, School governors and staff are required to declare any financial interests they have in companies or individuals from which the school may purchase goods or services. The register is open to public inspection. Advice on pecuniary and other interests is given within the Trust's Information for Governors. The register of business interests of all Members, Trustees and Local Governors will be published on the Trust's website and updated annually in line with the EFA directives.

The register should include all business interests such as directorships, share holdings or other appointments of influence within a business or organisation which may have dealings with the school. 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 Member, Trustee, Local Governor or a member of staff by that person.

The existence of a register of business interests does not, of course, detract from the duty of Members, Trustees, Local Governors and staff to declare interests whenever relevant to matters being discussed by the Trust, Governing Body or a committee. Where an interest has been declared, this should be recorded and minuted and those Members, Trustees, Local Governors and staff should not participate in that part of the committee or other meeting.

## **2.10 Donations in Kind**

The acceptance of gifts, hospitality, awards, prizes or any other benefit must not compromise personal judgement or integrity. When giving gifts, the Trust must ensure that the value of the gift is reasonable and that there is due regard to propriety. Section 6.15 of the Scheme of Delegation covers this in greater depth.

## **3. Accounting System**

**3.1** All the financial transactions of the John Milton Academy Trust must be recorded on the accounting system PSF in a timely and accurate manner. Each School system for PSF is operated partly by the Finance Team in each individual academy, Central Finance and overseen by the Trust's Director of Finance and Business.

## **3.2 System Access**

Entry to the PSF system is password restricted and the Bursar/Business Manager is responsible for ensuring only authorised personnel have access. Passwords must not be given to anyone other than the user and should be changed each term.

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

### **3.3 Back-up Procedures**

The PSF system is 'cloud based' and hosted by PS Financials Limited, Park House, Peterborough Business Park, Lynch Wood, Peterborough PE2 6FZ (tel: 01733 367330). PSF Ltd is responsible for ensuring all data is fully backed up via their contractual agreement with the Trust.

The Trust's Director of Finance and Business should update the Business Continuity Plan (and disseminate any changes to individual academy schools) regularly to ensure it adequately details the recovery procedures to deal with a loss of accounting facilities and/or financial data. This should link in with the annual assessment made by the Finance and Business Committee of the major risks to which the Trust is exposed and the systems that have been put in place to mitigate those risks.

### **3.4 Transaction Processing**

All transactions input to the accounting system must be authorised in accordance with the procedures specified in this document, and reinforced by the set up of the PSF system. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are included in the following sections.

The Bank transactions are monitored and controlled by the Finance and Business in conjunction with other Finance Assistants.

Detailed information on the operation of PSF can be found in the user manuals and in the help/documentation section of the PSF Support Portal.

### **3.5 Reconciliations**

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

- Bank account transactions to PSF system
- Payroll
- All suspense accounts.

**3.6** Any unusual or long outstanding unreconciled items must be brought to the attention of the Director of Finance and Business who will liaise with individual academies to clear them from the PSF system. The Director of Finance and Business will review and sign all reconciliations as evidence of the review. The CEO, as Accounting Officer, may also choose to spot check and review these items periodically.

**3.7** The Bursar/Business Manager/other finance staff must carry out thorough pre-payroll checks before payroll is run, and the Headteacher must sign and date the printed pre-payroll report prior to authorisation. This must be kept and filed locally at each school. The Director of Finance and Business carries out a reconciliation on a monthly basis to ensure the final payroll file matches the entries in the PSF accounting system.

## 4. Financial Planning

**4.1** The Director of Finance and Business will prepare medium-term and short-term financial plans for the Trust. Each individual School, with the Director of Finance and Business, will be responsible for preparing its own delegated budget.

**4.2** The medium-term financial plan should be prepared as part of the development planning process. The Trust Development Plan indicates how business objectives are going to be achieved within the expected level of resources over the next three years.

**4.3** The School Development Plan helps to provide the framework for the annual budget within each School. The budget is a detailed statement of the expected resources available to the school and the planned use of those resources for the following year.

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

### 4.5 Trust and School Development Plans

Development Plans are concerned with the future aims and objectives of both the Trust and its Schools and how they are to be achieved; that includes matching the 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.

**4.6** The form and content of the Development Plans are matters for the Trust and its Schools to decide but due regard should be given to any annual guidance issued by the DFE/EFA.

**4.7** Each year the Executive Leadership will propose a planning cycle to the Trust and respective Local Governing Bodies which allows for:

- A review of past activities, aims and objectives - “What are the outcomes? 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 and what are the milestones?”
- Feedback into the next planning cycle – “What worked successfully and how can we improve?”

**4.8** The completed Development Plans will include detailed objectives for the coming academic year and outline objectives for the following two years. The budget plan both at Trust and School level should be assessed to ensure that financial resources are available to meet each objective. Estimated costings for unusual or extra curriculum objectives should be detailed in School Development Plans so that financial requirements can be incorporated into budgetary planning.

**4.9** At School level, the responsibility for ensuring progress is made against objectives will be assigned to an appropriate member of staff. Performance will be monitored throughout the year against the defined success criteria and discussed within the Senior Leadership Team. The Senior Leadership Team will report to the Local Governing Body if there is a significant divergence from the agreed plan and will recommend an appropriate course of action. A summary of progress against the School Development Plan should be included termly in the Headteacher’s report to the Local Governing Body.

**4.10** At Trust level, the Executive Leadership will monitor progress against the Trust's objectives and provide a termly progress report to the Board.

**4.11 Annual Budget**

The Trust's annual budget will be prepared by the Director of Finance and Business in conjunction with the Chief Executive Officer. The budget must be agreed by the Finance and Business Committee and then presented to, and approved by, the Trust Board.

**4.12** The approved budget must be submitted to the EFA as part of the Budget Forecast Return normally by the end of July. The Director of Finance and Business is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.

**4.13** Each School's annual budget will be prepared by the Director of Finance and Business in conjunction with each school's Bursar/Business Manager and the Headteacher. The budget must be agreed by the Finance, Premises and Health & Safety Committee of each School and then presented to, and approved by, the Local Governing Body.

**4.14** The annual budget of both the Trust and individual Schools will reflect the best estimate of the resources available for the forthcoming year and will detail how those resources are to be utilised. The budget should be constructed to ensure the objectives of both Trust and School Development Plans can be achieved.

**4.15** The budgetary planning process at both Trust and School level will incorporate the following elements:

- Forecasts of the likely number of pupils to estimate the amount of EFA grant receivable;
- Review of other income sources available to the Trust/School to assess likely level of receipts;
- Review of past performance against budgets to promote an understanding of the Trust/School cost base;
- Identification of potential efficiency savings.
- 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 expected changes.

**4.16 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 at least matches expenditure. There should be due consideration of the desired reserves level in light of longer term plans.

**4.17 Finalising the Budget**

Once the different options and scenarios have been considered, a draft budget should be prepared by the Director of Finance and Business.

**4.18** At Trust level, the budget should be presented for consideration by the CEO and then presented to the Finance and Business Committee prior to approval by the Trust Board. At School level, the Bursar/Business Manager should prepare the budget in consultation with the Headteacher and present to the Finance, Premises and Health & Safety Committee prior to approval by the Governing Body.

Where appropriate, the budget should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.

**4.19** All budgets should be accompanied by a commentary giving a detailed breakdown on each element of the budget. The budget should be seen as a working document which may need revising throughout the year as circumstances change.

#### **4.20 Monitoring and Review**

Monthly reports will be prepared at both Trust and School level. The reports will detail actual income and expenditure against budget both for budget holders and a summary should be available for the Chief Executive Officer and Business and Risk Committee at Trust level, and for the Headteacher and Finance and General Purposes Committee at School level.

**4.21** Any potential overspend against the budget must in the first instance be discussed with the Director of Finance and Business and the Bursar/Business Manager. The accounting system will not allow payments to be made against an overspent budget without the approval of the Director of Finance and Business. Overspends are only allowed in exceptional circumstances and only then if funds are available to cover the amount from other areas of the budget.

**4.22** The monitoring process at both Trust and School level 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. Delegation arrangements, and the summary of financial authorisation levels, records authorisation limits.

## **5. Payroll**

**5.1** The main elements of the payroll system are:

- Staff appointments
- Payroll administration
- Payments.

#### **5.2 Staff Appointments**

Local Governing Bodies should review the personnel establishment for individual schools through the Committee structure. Changes can only be made to the personnel establishment with the approval of the Finance, Premises and Health & Safety Committee which must ensure that adequate budgetary provision exists for any establishment changes.

**5.3** Headteachers have the authority to appoint staff within the authorised establishment except for the Deputy Headteacher whose appointment must follow consultation with the Local Governing Body. The Headteacher of each School holds personnel files for all members of staff which include contracts of employment. All personnel changes must be notified, in writing, to the Trust's HR provider.

#### **5.4 Payroll Administration**

The school monthly payroll is administered by the Bursar/Business Manager of each School via the EPM online portal but processed on behalf of the school by Education Personnel Management (EPM). The total value of the elements of payroll transactions is entered into PSF by the Director of Finance and Business. Access to the system is password controlled. Password control procedures and backup arrangements are described in section 3.2 above.

**5.5** All staff are paid monthly through EPM Payroll where a secure, password protected, online database is maintained for each employee to record:

- Salary
- Bank account details

- Taxation status
- Personal details
- Any deductions or allowances payable
- Any other payments such as travel and subsistence

**5.6** Any changes to the EPM secure portal are made by the Bursar/Business Manager of each School.

**5.7** Each member of staff is responsible for ensuring the school is informed of any absence and any additional/casual hours they have worked. The Bursar/Business Manager will ensure that SIMS Personnel and the EPM portal are kept up to date to ensure an accurate payroll run is achieved on a monthly basis. Discretionary and sickness/emergency absence is recorded in SIMS Personnel by the Bursar/Business Manager.

An additional hours claim form is used by each member of staff for all additional hours approved for the previous month. Once each claim has been approved for payment by the appropriate member of senior staff the Bursar/Business Manager will record this information on the EPM portal. The payroll run will be authorised by the Bursar/Business Manager before EPM actually run the payroll. Authorised additional hours forms, staff discretionary and sick absence forms are retained by the finance office for future reference.

**5.8** Claims for travel and subsistence are processed as applicable for all members of staff through payroll. Payments in cash are no longer made. Claim forms are authorised before processing in arrears through the payroll system. This ensures complete compliance with HMRC rules. The only exception being Governor travel and subsistence claims which will be paid by cheque or BACS.

**5.9** The EPM Payroll system will generate a pre payroll run file to allow the Bursar/Business Manager of each School to check the accuracy before payments to staff. Once authorised for payment by the Bursar/Business Manager the value of the payroll run will be recorded in PSF against the appropriate ledger codes by the Director of Finance and Business and the total reconciled to the bank statement. The Bursar/Business Manager will monitor the actuals against predicted using the budgetary estimates.

**5.10** A payroll reconciliation is carried out by the Director of Finance and Business to ensure the entries on the payroll file match those entered into the PSF system. Any discrepancies found should be investigated and resolved.

**5.11** On an annual basis, the Bursar/Business Manager must inform each member of teaching staff of their current grade and pay point in writing. This should be processed in the Autumn Term and be issued by 31<sup>st</sup> October each year to align with performance management and threshold applications. For support staff, a letter will be sent confirming changes in pay as and when they occur either through a cost of living increase or incremental performance related pay rise.

**5.12 Salary Payments**

The Bursar/Business Manager will investigate any discrepancy and contact EPM Payroll immediately.

**5.13** All salary payments are made by BACS.

**5.14** The EPM payroll system automatically calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions.

**5.15** After the payroll has been processed, the nominal ledger will be updated by the Director of Finance and Business. Postings will be made both to the payroll control account and to individual cost centres. The Director of Finance and Business should review the payroll control account each month

to ensure the correct amount has been posted from the payroll system, individual cost centres have been correctly updated and to identify any amounts posted to the suspense account.

## 6. Procurement, Purchasing and Tendering

**All schools comply with the separate JMAT 021 Procurement Policy and Procurement Procedures.**

**Reference should also be made to the Trust's Scheme of Delegation for precise authorisation levels. The Scheme of Delegation is updated termly.**

**6.1** The John Milton Academy Trust wants to achieve the best value for money from all purchases. All Schools wish to obtain goods and services in the correct quality, quantity and time frame at the best price possible; this may be achieved in some circumstances by central purchasing within the MAT for all schools.

A significant proportion of purchases will be paid for with public funds and all Schools 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 School;
- Accountability: the School is publicly accountable for its expenditure and the conduct of its affairs;
- Fairness: that all those dealt with by the School are dealt with on a fair and equitable basis.

### 6.2 Compliance with the Modern Slavery Act 2015

The John Milton Academy Trust is required to comply with the requirements of the Modern Slavery Act 2015 and, in doing so, has prepared a statement which is published on the Trust website. However, all suppliers to the Trust are required to fully comply with the Modern Slavery Act 2015 and will confirm that they do so by accepting the Trust Term and Conditions which include specific requirements. The Trust also reserves the right to exclude any bidder who has been convicted of an offence under section 1, 2 or 4 of the Act. The Trust also reserves the right to terminate contracts where bidders are found to have breached the legislation after contract award.

Where the Trust has identified that a procurement exercise is particularly high risk (see the statement on the website) then it may be appropriate to require bidders to provide clarification of supply chains and ensure that suppliers demonstrate their methods of corporate social responsibility during the tendering and selection process, details of which may vary according to the project.

## 7. Income & VAT

**7.1** The main sources of income for the Trust and its Schools are the grants from the EFA. The receipt of these sums is monitored directly by the Director of Finance and Business. The Director of Finance and Business is responsible for ensuring that all grants due to Schools in the John Milton Academy Trust are collected.

**7.2** The Academy acknowledges that VAT legislation is a complex area requiring careful consideration and that errors can potentially lead to charges of interest and penalties. Registration for VAT

purposes is required if the turnover of taxable supplies (i.e. business activities; standard, reduced and zero rated) exceeds a limit determined by HMRC within any twelve month rolling period (£85,000 at April 2017). The Trust is not VAT registered and cannot, therefore, charge VAT on any income received. The Academy will carry out a monthly check of the total taxable supplies to ensure that turnover limits are not exceeded.

Non Business Income: Outside of scope - includes:

- Free education;
- Donations;
- Grants
- Supplies closely related to education at or below cost e.g. School trips considered to be for educational purposes, supplies of materials used in the course of, and necessary for, the provision of education;
- Catering / meals for pupils.

Business Income: Taxable – includes:

- Consultancy services provided to other schools;
- School uniform sales;
- Discos;
- School performances and productions not qualifying for cultural exemption;
- Sports centre / facilities income not directly related to or included in charges for the sports being undertaken;
- Hire of equipment;
- Staff and guest meals and other catering;
- Photocopying and private telephone calls;
- school trips not considered to be for educational purposes.

Business Income: Exempt – includes:

- Lettings;
- Charges for educational secondment;
- Sports centre income directly related to sports service;
- School performances and productions qualifying for cultural exemption.

The Trust is able to recover VAT in relation to costs (inputs) attributable to non-business activities, even though it is not VAT registered. VAT cannot be recovered for business activities. Business activities are those activities designed to generate income that are not part of, or closely related to, the free provision of education by the school. Supplies associated with business activities will either be taxable or exempt.

The Trust is free to choose a suitable approach to apportionment which is simple to understand and operate and is consistently applied. HMRC will be advised of the apportionments used in each claim (detailed workings are not required).

### **7.3 Educational Visits**

In all Schools, a lead teacher should be appointed for each educational visit to take responsibility for each trip and for the calculation of sums due. The calculations should be checked by the Bursar/Business Manager to ensure the costs have been sufficiently covered.

In all Schools, once the trip and budget calculation has been authorised by the accredited Trips and Visits Coordinator, the lead teacher must prepare a letter for each student intending to go on the trip showing the amount due. A copy of the letter must be given to the Finance Office. The

Bursar/Business Manager will keep an up-to-date spreadsheet listing those students who have been granted remission for some or all of the charges.

- 7.4** Students should make payments at the school office/bank or preferably through Parentmail/Parent Pay. An electronic or paper payment card is issued for all monies collected for all residential trips involving staggered payments.
- 7.5** Schools using Parent Pay will have an up to date record for each student showing the amount paid and the amount outstanding. This record should be sent to the lead teacher on a regular basis and the lead teacher is responsible for pursuing the outstanding amounts.
- 7.6** Once the trip has taken place, the Trips and Visits Coordinator responsible for school visit administration should collate all the information regarding the trip and liaise with the Bursar/Business Manager to reconcile the income and expenditure. This should take place within two working days after the day of the trip. This is particularly critical in the summer term to ensure reconciliation prior to the summer break.

**No refunds to students will be processed for any school trip with the following exceptions:**

- Where a trip is cancelled by the school for any reason;
- Where a student is withdrawn from the trip before the school has made a financial commitment for the trip OR where a student is replaced by another student;
- Where the school excludes a student from the school (and therefore the trip);
- Any other individual circumstance at the discretion of the School's Headteacher.

Schools do not set out to make any profit from school trips. Trips are carefully budgeted to ensure trips are cost neutral. However, if a surplus is made, once all costs are taken into account, and this amounts to more than £10 per pupil, the school will refund the relevant amount to each student.

## **7.7 Lettings**

**The following arrangements apply to all Schools in the John Milton Academy Trust**

The Bursar/Business Manager will ensure adequate records are kept relating to the booking of facilities and for identifying the sums due from each organisation. Payments must be made in advance for the use of facilities as per details in the School's Lettings Policy.

- 7.8** Details of organisations using the facilities should be given to the Finance Assistant/Bursar/Business Manager/Sports Centre Manager who will establish lettings records and ensure a sales invoice is raised and sent. Details of payments made and any outstanding accounts will be monitored by the Finance Assistant/Bursar/Business Manager/Sports Centre Manager and any issues brought to the attention of the Director of Finance and Business. The Central Finance Assistant is responsible for pursuing outstanding debts.
- 7.9** Organisations using School facilities should be instructed to send all payments to the Finance Office. In the case of ad-hoc lettings in the Sports Centre, these may be taken by Sports Centre staff and secured in the safe prior to being handed to the Finance Office.

## **7.10 Custody**

Receipts should be issued for all cash and cheques received where no other formal documentation exists. If the sum collected is £2 or below, such as that collected for a non-uniform day or a charity day, then a receipt is not required. All cash and cheques must be kept in the School safe prior to

banking. Banking should take place regularly to ensure that the storage of funds in School safes does not exceed £5,000 (Zurich's insurance limit).

- 7.11** Monies collected must be banked in their entirety in the school bank account. Monies should be banked regularly using either Lloyds Bank or Post Office facilities. All income must be entered onto the PSF system in a timely manner by the Bursar/Business Manager. The Director of Finance and Business is responsible for ensuring reconciliations are carried out between the sums collected, the sums deposited at the bank and the sums posted to the accounting system.

## **8. Cash Management**

### **8.1 Bank Accounts**

The Trust has one bank account, with Lloyds Bank. The opening of any further accounts must be authorised by the Trust Board, and reasons for this should be recorded. Any future accounts must be covered by the Trust's scheme of delegation, the summary of financial authorisation levels, and the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing. 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.

- 8.2** All bank stationery such as cheques and credit/debit cards must be kept in the safe. They may be kept in a locked drawer during the working day but returned to the safe at the end of every day. Should a card holder leave employment of the Trust then the card will be recovered and cancelled via the Director of Finance and Business.

- Each cardholder must sign the Credit Card Usage Declaration (see Appendix A)

### **8.3 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.

### **8.4 Payments and withdrawals**

All cheques and other instruments authorising withdrawal from school bank accounts must bear the signatures of two authorised signatories:

- 8.5** This provision applies to all accounts, public or private, operated by or on behalf of the Trust /Local Governing Body.

- 8.6** In the interests of security and to minimise administration, petty cash payments will no longer be issued in cash. All payments are made by cheque or BACS directly from the Trust's bank account.

- 8.7** The school does not allow staff to cash personal cheques.

- 8.8** All credit card holders are to provide VAT receipts for all items. Bursar / Business manager must input transactions on to PSF and the Director of Finance and Business will reconcile to monthly statements.

### **8.9 Administration**

The Director of Finance and Business must ensure bank statements are received regularly and that reconciliations are performed in a regular and timely fashion. Reconciliation procedures must ensure that:

- Bank accounts are reconciled to the MAT's cash book;
- Reconciliations are prepared by the Director of Finance and Business;
- Reconciliations complete with the bank statement are subject to an independent review carried out by the CEO and/or Internal Controls audit;
- Adjustments arising are dealt with promptly.

#### **8.10 Petty Cash Accounts**

The academy schools do not maintain any cash balance.

#### **8.11 Deposits**

There are no deposits into Petty Cash.

#### **8.12 Administration**

The Finance Assistant/Bursar/Business Manager is responsible for entering all transactions into PSF for local reimbursements. The Director of Finance and Business will arrange all such reimbursements to be made by BACS or cheque.

#### **8.13 Physical Security**

None required as no Petty Cash is present.

#### **8.14 Cash Flow Forecasts**

The Director of Finance and Business is responsible for preparing cash flow forecasts for the MAT; this is to ensure that the schools and Trust have sufficient funds available to pay for day to day operations. If significant balances can be foreseen, steps should be taken to invest the extra funds if circumstances are appropriate to do so in line with the Reserves and Investment Policy.

The Director of Finance and Business should carry out a risk assessment and obtain Trust approval before investing academy funds in high interest accounts as these often have limited access and other caveats. Similarly, plans should be made to transfer funds from another bank account or to re-profile planned expenditure to cover potential cash shortages.

#### **8.15 Investments**

Investments must be made only in accordance with the Reserves and Investment Policy approved by the John Milton Academy Trust.

**8.16** All investments must be recorded in sufficient detail to identify the investment and predicted or confirmed return on that investment. The information required will normally be the date of purchase, the cost and a description of the investment.

#### **8.17 Borrowing**

In line with the Academies Financial Handbook and funding agreements, the Trust must seek EFA'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.

## 9. Fixed Assets

### 9.1 Fixed Asset Register

Appropriate items purchased with a value over the School's capitalisation limit (£1,000) must be entered in an asset register together with a copy of the purchase invoice (See Fixed Asset Policy).

The asset register should include the following information:

- Asset description;
- Asset number;
- Date of acquisition;
- Asset cost;
- Source of funding;
- Expected useful economic life;
- Depreciation;
- Current book value;
- Equipment Inventory.

**9.2** The Equipment Inventory records the equipment within the school above a de minimis value of £100 (NB: electronic items are all recorded irrespective of value). The inventory is recorded manually on a spreadsheet or on School Asset Manager and is backed up as part of the school back up routine.

The inventory is checked at least once a year by relevant staff in their areas. The inventory is signed as evidence of the check having been undertaken. All discrepancies are investigated and any resulting in a loss exceeding £500 or more will be reported to the LGB. Any loss exceeding £10,000 will be referred to the Trust Board.

By keeping an inventory the School will:

- Ensure that staff take responsibility for the safe custody of equipment;
- Enable independent checks on the safe custody of equipment, as a deterrent against theft or misuse;
- Support insurance claims in the event of fire, theft, vandalism or other disasters.

### 9.3 Security of assets and equipment

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

**9.4** All electronic items identified in the equipment inventory should be permanently and visibly marked as the School's property. There should be an annual count reconciliation by the person maintaining the register.

A spot check should be carried out by someone independent of the count. The maintenance of the register and annual check are currently the responsibility of the IT Network Team. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to the respective Local Governing Body.

Inventories of school property should be kept up to date and reviewed regularly. Where items are used by the school but do not belong to it this should be noted (eg Photocopiers).

### 9.5 Disposals

Disposal of Assets and Equipment must run in line with the limits imposed in the Scheme of Delegation, sections 6.8 - 6.10. All disposals are reported to the Director of Finance and Business to update the register.

Items which are to be disposed of by sale or destruction must be authorised for disposal by the Headteacher and, where significant and appropriate, should be sold following a fair method. The MAT must seek the approval of the EFA in writing if it proposes to dispose of an asset categorised as Land, Buildings or Heritage assets. For current rules, see the Academies Finance Handbook or view online via the EFA website.

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

#### **9.7 Loan of Assets**

Items belonging to the John Milton Academy Trust must not be removed from School premises without the authority of the Headteacher of each respective School. A record of the loan must be recorded in the Equipment Loan book held at each School and every item must be signed back in when it is returned.

**9.8** If equipment items 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 school's auditors.

## **10. Annual Accounts**

### **10.1 Year end adjustments**

The threshold for year end adjustments (accruals & pre-payments) has been agreed with auditors to be £1000. The Director of Finance and Business, together with the Accounting Officer, has the discretion to adjust below £1000 in value if there is clear justification to do so.

**10.2** All year end adjustments will be recorded with appropriate supporting documentation in the audit file in readiness for external audit scrutiny

### **10.3 Working papers**

Finance personnel in each respective School and the Director of Finance and Business will work collaboratively to complete the electronic working papers to support and inform the compilation of the year end accounts. All supporting documentation will be collated into the audit file for that year.

### **10.4 Financial statements and supporting documents**

The school employs the services of external auditors (Larking Gowan) to compile the financial accounting statements. The Director of Finance and Business is responsible for the overseeing of, and liaison with, the external audit and for ensuring the auditors receive all the practical help they need in order to complete the audit to appropriate standard.

**10.5** The Director of Finance and Business is responsible for collating all the elements of the Trust's annual accounts and will work collaboratively with the Executive Leadership, Chair of Finance and

Business Committee and the Accounting Officer to ensure all the requisite reports and statements are completed in a timely manner.

#### **10.6 Company Secretary**

The Director of Finance and Business acts as company secretary and is responsible to ensure all returns are completed in a timely manner and the register of Trustees is kept up to date. Schools' Choice are currently contracted to complete Company Secretary duties.

### **11. Debt Recovery**

**11.1** All Schools will pursue all debts, and debts may be transferred from one JMAT school to another if appropriate. The Director of Finance and Business will decide the appropriate course of action and seek Executive Board approval as necessary. For any debt in excess of £5,000, the issue must be referred to the Finance and Business Committee.

**11.2** If further difficulty is encountered in recovering the income, the Director of Finance and Business will seek the advice of the Legal Advisors in the first instance.

**11.3** The Director of Finance and Business will be responsible for reporting debts against Schools' or the Trust's budget to the Finance and Business Committee for write-off approval up to the level stipulated in the Scheme of Delegation.

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### **12. Capital Expenditure**

**12.1** As detailed in section 9.1 the Trust's policy is not to capitalise equipment with an individual value of less than £1,000. This means that the annual budget must make provision for the periodic replacement and renewal of such assets over a 3-7 year cycle.

**12.2** Capital Expenditure falls into two main categories:

- a) Purchase of major items of plant on a 15-25 year cycle such as boilers, windows
- b) Strategic purchases utilising resources from specialist external Grants (including the CIF)

The principles for purchase remain the same albeit that in the case of external Grants additional requirements and reporting may be required

**12.3** By management of the Asset Register detailed in Section 9, the maintenance reports should identify when major items of plant become uneconomical to use or repair. Each year, annual budgets should assess and identify future timescales for such replacement and the need to create provisions over a number of years

**12.4** When a replacement is required it maybe that adequate provision has already been secured and that the effect on the current budget is minimal. Nevertheless the whole project should be reviewed by the LGB and if appropriate to the Trust via the Finance and Business Committee.

**12.5** Authorisation limits are documented in the Scheme of Delegation, section 6.

**12.6** In preparing projects for approval, the Executive Board should seek:

- Three quotations for projects between £10,000-£50,000;

- Three competitive tenders for expenditure greater than £50,000. Such should be undertaken with a formal written specification and timetable for delivery. Contractors must be selected from an approved suppliers list (public body) or have successfully worked for the Trust in the past;
- The requirements of the EU tendering regulations must be followed. At 1<sup>st</sup> January 2017 this means that any contract for works in excess of £4,322,012 must be subject to the Tendering Rules and Procedures as set out for Publicly Funded enterprises;
- If a supplier is already on a Government or Local Authority Framework then compliance with EU Tendering should be validated. For all other projects the default should be the appointment of Project Managers whose duties should include compliance with the EU Tendering procedures and for securing Value for Money. (see below)

### 13. Value for Money (VFM)

**13.1** Value for money (VFM) is a term used to assess whether or not an organisation has obtained the maximum benefit from the goods and services it both acquires and provides, within the resources available to it. Some elements may be subjective, difficult to measure, intangible and misunderstood. Judgement is therefore required when considering whether VFM has been satisfactorily achieved or not. It not only measures the cost of goods and services, but also takes account of the mix of quality, cost, resource use, fitness for purpose, timeliness, and convenience to judge whether or not, together, they constitute good value.

**13.2** Achieving VFM can be described in terms of the 'three Es' - economy, efficiency and effectiveness. The definition of the three Es is as follows:

- **Economy** - careful use of resources to save expense, time or effort.
- **Efficiency** - delivering the same level of service for less cost, time or effort.
- **Effectiveness** - delivering a better service or getting a better return for the same amount of expense, time or effort.

**13.3** In many areas of activity there is recognised 'good practice' or 'best practice'. In general terms, the Trust wants to adopt such good practice as appropriate to its own circumstances, as a recognised way not only of achieving value for money but also of demonstrating that value for money has been both sought and achieved. Good practice requires a well-planned, thorough and clear approach to an activity. The main benefits of promoting VFM principles include:

#### **13.4 The clarification of objectives**

Rather than acting on assumptions about what is required, VFM principles will give managers a proper assessment of the objectives of an activity. This will maximise the chance of achieving the desired ends without unnecessary expenditure and effort. An 'assessment' should also demonstrate that the proposed activity fits in with the organisation's strategies and policies. Where this does not happen, an activity is, by definition, not achieving what the organisation has set out to do. An assessment will also help end-users to get what they need (which may be different from what they want) to do their job properly.

**13.5** Planning is an essential part of all well managed processes. Good planning minimises the risk of an activity failing to deliver the intended outcome, at the right time and at the right price.

#### **13.6 Openness and transparency of process**

Through properly documented planning and assessment, and the adoption of open processes involving all interested parties, the Trust can publicly demonstrate a commitment to achieving propriety and regularity as well as VFM. The Trust has a special responsibility to show that they operate honestly, fairly and without bias.

**13.7 Compliance with statutes and regulations**

All organisations need to comply with legal and other associated requirements. By adopting good practice, the risk of failing to identify and comply with such requirements is significantly reduced.

**13.8 Risk assessment**

All activities have risks attached. These include reputational risk, control risk, financial risk (including financial health risk), health and safety risk, and a business risk. Although it may not be necessary to undertake a full risk assessment for every activity, an inadequate risk assessment, particularly for significant activities, can result in poor value for money.

**13.9 Responsibility for VFM**

Under the Academies Financial Handbook, all Academies have a clear responsibility to obtain 'value for money'. Although this is usually an aim of all organisations, it is of particular significance to those that receive public funds. The Trust receives a significant proportion of its income from 'public' sources, including grants, fees and charitable income. An institution's assets and other income would not exist without that public income.

**13.10** In general terms, the Trust Board is responsible for the VFM that is obtained from the activities undertaken. In practice, the responsibility for VFM is largely (and properly) delegated to management. Consequently, each LGB could ensure that its own processes are sufficient for it to be assured that management is satisfactorily discharging its responsibility for VFM. In practice, this can be achieved through proper scrutiny of the School's finances, through exercising appropriate oversight over the strategies and policies, and through the normal activities required of the Finance Committee of each school.

**13.11 Governor, Trustee and Headteacher Expenses**

These groups play a key role in the success of Schools in the Trust. Individual Governors, Trustees and Headteachers should not be deterred from playing their full part because of incidental costs. Please see the JMAT 028 Expenses Policy.

Relevant policies to be considered alongside this policy:

- JMAT 021 Procurement Policy and Procurement Procedures
- JMAT 027 Reserves Policy
- JMAT 028 Expenses Policy

## Appendix A

### Credit Card Users Declaration

1. Credit cards used in the day-to-day business of JMAT are intended to facilitate transactions only in limited circumstances, chiefly to provide an easier means of booking and paying for travel, accommodation or resources in connection with official work, where it has not been possible to pre-book these by conventional means.
2. The card can be used for:
  - Accomodation bookings / payment;
  - Payment of travel costs (train, coach hire etc) where it has not been possible to pre-book prior to departure;
  - Online payments;
  - Purchase resources where no account facilities are available.

The card must not be used for:

  - Withdrawing cash or obtaining foreign currency;
  - Use of any cash back facilities;
  - Any type of personal expenditure.
3. Only the named card holder will be able to use the card.
4. Credit card usage will be subject to checks to ensure compliance with current policies for claiming travel and subsistence and to guard against fraud.
5. The individual will be responsible for custody of the card, and, to guard against possible fraud, should not lose sight of it during a transaction. Loss of a card must be reported immediately to the Director of Finance and Business or CEO.
6. All relevant receipts must be retained and passed on to Finance for processing.
7. Unauthorised usage of a credit card issued in accordance with the above may be considered a disciplinary offence and could result in dismissal.

**I agree to comply by the above Declaration:**

Signed by card holder:		Date signed:	
Name of card holder:		Job Title:	
Signed by Director of Finance and Business:		Date signed:	