



## **FINANCE POLICY DOCUMENT**

**February 2016**

### **Review**

This Finance Policy Document will be reviewed annually by the LWCT Finance & Audit Committee

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# FINANCE POLICY

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## **1.0 INTRODUCTION**

Lincolnshire Wolds Community Trust (herein after referred to as 'LWCT' or the 'school') converted to academy status on 1 September 2015. It is a company limited by guarantee, incorporated in England & Wales under company number 09691946

This policy has been reviewed and revised to comply with the Academies Financial Handbook (AFH) (current version 1 Sept 2015) and covers the duties and obligations of the academy trust arising from LWCT's Funding Agreement (FA) with the Secretary of State for Education. It provides detailed information on the school's accounting procedures and should be read by all staff and governors involved with financial systems and accountability.

### **1.1 The meaning of 'director' and 'governor'**

In this document there are frequent references to directors. This is taken to be the same body of people as the directors of the company and they are also governors of the academy; reference to governor will largely constitute the Local Governing Body for each of the schools within the MAT.

The directors are the people responsible under the academy trust's articles of association for controlling its management and administration. They have responsibility for directing its affairs, and for ensuring that it is solvent, well-run, and delivering the charitable outcomes for the benefit of the public for which it has been set up.

## **2.0 ROLES AND RESPONSIBILITIES**

### **2.1 Responsibilities of the Multi Academy Trust's (MAT's) Directors**

The directors of LWCT accepts its wide responsibilities under statute, regulations and the FA. The directors understands that it is specifically responsible for ensuring that the trust's funds are used only in accordance with the law, the MAT's powers under the FA (including the trust's articles of association which set out the powers of the trust and its governance arrangements), and the AFH 2015.

The directors have wide discretion over its use of the trust's funds. It is responsible for the proper stewardship of those funds and for ensuring economy, efficiency and effectiveness in their use – the three key elements of value for money. The directors understand that it must also ensure that it uses its discretion reasonably, and takes into account any and all relevant guidance on regularity and propriety. The directors are, therefore, responsible for establishing and reviewing the school's finance policy and procedures, with a review undertaken on an annual basis.

As a company limited by guarantee and, under the terms of the Academies Act 2010, an exempt charity, the directors of LWCT understand that they are subject to the duties and responsibilities of charitable trustees and company directors as well as any other conditions that the Secretary of State agrees with them. These responsibilities are mutually reinforcing and are there to ensure the proper governance and conduct of the trust. The key requirements are reflected in the FA (including the articles) and in the AFH 2015, but the directors are also aware of the Charity Commission's guidance for academies in Academy Schools.

The directors of LWCT are aware of their statutory duties as company directors, which are set out in sections 170 to 181 of the Companies Act 2006. These comprise the duties to:

- act within their powers;
- promote the success of the company (MAT);
- exercise independent judgment;
- exercise reasonable care, skill and diligence;
- avoid conflicts of interest;
- not to accept benefits from third parties; and
- declare interest in proposed transactions or arrangements.

These duties are especially relevant when entering into transactions with connected parties.

The board and its committees have agreed to meet regularly enough to discharge their responsibilities under their articles of association, funding agreement and this handbook, to ensure robust governance and

effective financial management arrangements. Board meetings will take place at least three times a year and business will only be conducted when quorate.

Whilst the board cannot delegate overall responsibility for the academy trust's funds, it has approved a written scheme of delegation of financial powers that maintains robust internal control arrangements.

The FA sets out further specific responsibilities of the board of trustees and the Accounting Officer (AO) of the trust.

## **2.2 Responsibilities of the Multi Academy Trust's Finance & Audit Committee**

LWCT has a Finance & Audit Committee to which the governors have delegated the detailed scrutiny and oversight of the trust's finances. (Although the full governing body must approve the budget/any material changes to the budget and minute this – see LWCT's Scheme of Delegation).

The AFH 2015 stipulates that 'academy trusts must establish a committee, appointed by the board of directors, to provide assurance over the suitability of, and compliance with, its financial systems and control.' It is not practicable for LWCT to have a dedicated audit committee, so in line with EFA flexibility, the directors discharge these requirements through the Finance & Audit Committee whose remit includes the functions of an audit committee. This work is in addition to the terms of reference of the committee, with overlapping or fully integrated membership.

The Finance & Audit committee functions are established in such a way as to achieve internal scrutiny which delivers objective and independent assurance, which means that:

- LWCT's staff may be members but they cannot participate as members when audit matters are discussed; they may remain in attendance purely to provide information and participate in discussions.

The accounting officer and other relevant senior staff routinely attend the committee in the capacity set out directly above.

The Finance & Audit Committee's work focuses on providing assurances to the board of directors that risks are being adequately identified and managed by:

- reviewing the risks to internal financial control at the trust; and

agreeing a programme of work that will address these risks. The outcome of their work informs the governance statement that accompanies the trust's annual accounts and, so far as is possible, provides assurance to the external auditors.

## **2.3 Responsibilities of the Multi Academy Trust's Accounting Officer (Executive Headteacher)**

In accordance with the AFH 2015, each academy trust must designate a named individual as its Accounting Officer. The individual must be a fit and suitable person for role. LWCT's Accounting Officer is the Executive Headteacher, who acts as an ex officio trustee. (NB - The appointment of an Accounting Officer does not remove the responsibility of trustees, both individually and as a board, for the proper conduct and financial operation of the trust).

Whilst the Executive Headteacher has responsibility, under the board's guidance, for the trust's overall management and staffing, their appointment as Accounting Officer confers specific responsibilities for financial matters. In particular the Accounting Officer is personally responsible to Parliament, and to the accounting officer of the EFA, for the resources under their control, and must be able to assure Parliament and the public of high standards of probity in the management of public funds.

The essence of the role is a personal responsibility for:

- **regularity** - dealing with all items of income and expenditure in accordance with legislation, the terms of the trust's funding agreement and the AFH 2015, and compliance with internal trust procedures. This includes spending public money for the purposes intended by Parliament;

- **propriety** – the requirement that expenditure and receipts should be dealt with in accordance with Parliament’s intentions and the principles of Parliamentary control. This covers standards of conduct, behaviour and corporate governance;
- **value for money** – this is about achieving the best possible educational and wider societal outcomes through the economic, efficient and effective use of all the resources in the trust’s charge, the avoidance of waste and extravagance, and prudent and economical administration. A key objective is to achieve value for money not only for the academy trust but for taxpayers more generally.

The Accounting Officer completes and signs a statement on regularity, propriety and compliance each year and submits this to the EFA with the audited accounts. The Accounting Officer also completes and signs a statement each year demonstrating how the trust has secured value for money.

The Accounting Officer must take personal responsibility (which must not be delegated) for assuring the board that there is compliance with the AFH, the FA and all relevant aspects of company and charitable law. The Accounting Officer also has responsibilities for keeping proper financial records and accounts, and for the management of opportunities and risks.

The Accounting Officer will advise the board of directors in writing if, at any time, in his or her opinion, any action or policy under consideration by them is incompatible with the terms of the AFH or FA. Similarly, the Accounting Officer will advise the board in writing if the board appears to be failing to act where required to do so by the terms and conditions of the AFH or FA. Where the board of directors is minded to proceed, despite the advice of the Accounting Officer, the Accounting Officer will consider the reasons the board gives for its decision. If, after considering the reasons given by the board, the Accounting Officer still considers that the action proposed by the board is in breach of the AFH or FA, the Accounting Officer will advise the EFA’s accounting officer of the position in writing.

The EFA’s accounting officer will send a ‘Dear Accounting Officer’ letter annually to all academy trust accounting officers, setting out their key responsibilities and highlighting any changes from previous years. LWCT’s Accounting Officer will share this letter with LWCT’s directors, Chief Financial Officer and other members of the Federation Leadership Team.

Whilst the Accounting Officer is accountable for the academy trust’s financial affairs, the delivery of the trust’s detailed accounting processes is delegated to a Chief Financial Officer, who performs the role of Business Manager.

## **2.4 Responsibilities of the Multi Academy Trust’s Chief Financial Officer (Business Manager)**

All academy trusts must have a Chief Financial Officer (CFO) appointed by the board of directors, who is the trust’s Finance Director or Business Manager, to lead the finance department. The EFA recognises that many CFOs combine their specific financial responsibilities with a range of other support and leadership responsibilities. LWCT’s CFO is the Business Manager

The Business Manager holds a technical and leadership role in the trust. Key responsibilities for the Business Manager include:

- ensuring sound and appropriate financial governance are in place;
- ensuring sound and appropriate risk management arrangements are in place;
- preparation/delivery of the annual accounts; and
- preparation and monitoring of the budget;

The Business Manager does not always discharge all of these duties personally. Where necessary, the directors employ the services of other individuals or companies with relevant skills and knowledge at the relevant time (e.g. external auditors to assist with annual accounts at year end).

## **2.5 Other Staff with financial responsibilities**

Other members of staff, primarily the Finance Administrators and the HR and Facilities Lead, will also have varying levels of financial responsibilities and these are outlined in LWCT’s Scheme of Delegation.. 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 conformity with the requirements of the school's financial procedures.

## **2.6 The Internal Auditor**

The Internal Auditor is appointed by the Finance & Audit Committee and provides governors with an independent oversight of LWCT's financial affairs. The main duties of the RO/Internal Auditor are to provide the directors with independent assurance that:

- the financial responsibilities of the governors are being properly discharged;
- resources are being managed in an efficient, economical and effective manner;
- sound systems of internal financial control are being maintained; and
- financial considerations are fully taken into account in reaching decisions

A programme of checks will be agreed with the directors and financial reviews will be carried out in order to provide the directors (and indirectly the Department for Education) with the required assurance.

General areas for review will cover the following:

- Review that bank reconciliations have been carried out each month;
- Review of monthly payroll to ensure that any changes have been appropriately authorised and agreed;
- Check sample orders against delivery notes and invoices to ensure that the documentation is complete and has been appropriately checked and authorised;
- Check of sample payments back to invoices, orders and delivery notes to confirm they are bona fide purchases;
- Review a sample of expense claims to ensure there is appropriate documentation to support the claim and that the claim is appropriately authorised;
- Review returns to EFA (DfE) to ensure the information supplied is consistent with the underlying records and internal management reports;
- Carry out spot checks of petty cash balances and supporting vouchers; and
- Review all major contracts and ensure formal tender procedures exist and are being followed.

A report of the findings from each visit will be provided to all governors, who will consider any recommendations or action arising. The Finance & Audit Committee are responsible for ensuring that such recommendations/action are implemented by the school.

## **3.0 MAIN FINANCIAL & GOVERNANCE REQUIREMENTS**

### **3.1 Financial oversight**

The academy trust's directors and local governing body have undertaken a skills audit and bespoke training to ensure that they have the skills, knowledge and experience to run the academy trust.

At LWCT, the Executive Headteacher has been appointed by the directors to act as an ex-officio trustee. In their capacity as accounting officer, under the guidance of the board, the Executive Headteacher agrees they must ensure that there is appropriate oversight of financial transactions. In doing so, they must:

- ensure that bank accounts, financial systems and financial records are operated by more than one person;
- ensure that all the trust's property is under the control of the trustees, and that measures are in place to prevent losses or misuse, including maintenance of a comprehensive fixed asset registers;
- keep full and accurate accounting records; and
- prepare accruals accounts, giving a true and fair view of the trust's incoming resources and application of resources during the year, and the state of affairs at the year-end, in accordance with existing accounting standards.

In support of this, the governing body (and appropriate committees) agree that they must:

- ensure good financial management and effective internal controls;

- comply with their funding agreement and this handbook; and
- receive and consider information on financial performance at least three times a year, and take appropriate action to ensure on-going viability.

The directors have appointed a Clerk to the Governors, who is someone other than a trustee, principal / headteacher or chief executive of the trust.

The directors have approved a written Scheme of Delegation of Financial Powers so that it is clear who is responsible for what.

In addition to the standard charitable controls, the directors have satisfied themselves that the academy trust's finance staff are appropriately qualified and/or experienced. The directors and Executive Headteacher ensure that the skills of these staff are kept up to date through continuing professional development and personal learning journeys (PLJ's).

## **3.2 Financial planning**

The academy trust agrees to prepare financial plans so as to secure its short-term and long-term financial health. These plans are prepared as part of the school review process.

### **3.2.1 Types of financial plans**

**Annual budget** - The annual budget should reflect the school's prioritised educational objectives as set out in the Federation Development Plan, seek to achieve value for money and be subject to regular, effective monitoring.

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. The directors of the academy trust agree to review and approve a balanced budget (and any significant changes to that budget) for each financial year (usually to 31 August), which may draw on unspent funds brought forward from previous years. A copy of the final budget is then reviewed by the external auditors and submitted to the EFA (in a format specified by the EFA) in accordance with EFA published deadlines. The directors also review and approve any significant changes to budget plans and notify the EFA of any such changes. (see Scheme of Delegation)

**The LWCT 3 year Development Plan** - indicates how the school's educational and other objectives are going to be achieved within the expected level of resources over the next three years.

**LWCT 5 year Financial Plan** - is produced as an indicative guide of funding and resource use in the longer term.

### **3.2.2 Budgetary Process**

#### **Setting the Budget**

The budget is compiled to reflect the best estimate of the resources available to the school for the forthcoming year and will detail how those resources are to be utilised. There will be a clear link between the Federation Development/Strategic Plan objectives and the budgeted utilisation of resources.

The budgetary planning process will incorporate the following elements:

- forecasts of the likely number of students to estimate the amount of DfE and Local authority top up grant receivable;
- review of other income sources available to assess likely level of receipts;
- review of past performance against budgets to promote an understanding of the school's cost base;
- identification of potential efficiency savings; and
- review of the main expenditure headings in light of the Federation Development Plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes.

#### **Balancing the Budget**

Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income will be explored if necessary and expenditure



headings will be reviewed to identify where potential cuts or savings can be made. This may entail prioritising tasks and deferring projects until further funding is available. Plans and budgets will need to be revised until income and expenditure are in balance. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need, subject to any restrictions on carry forwards imposed by the EFA.

The board of directors agrees to notify the EFA (within 14 days) if it is formally proposing to set a deficit revenue budget for the current financial year, which it is unable to address after funds from previous years are taken into account.

### **Finalising the Budget**

Once the different options and scenarios have been considered, the draft budget will be submitted with a statement of 'Funding Assumptions' to the Finance & Audit Committee for initial consideration. The Finance & Audit Committee will then take this to the full governors for approval. The budget should be communicated to the Federation Leadership Team so that everyone is aware of the overall budgetary constraints.

The budget should be seen as a working document which may need revising throughout the year as circumstances change.

### **Budget Management, Monitoring and Review**

For each school budget a monthly report will be prepared and made available by the Business Manager. The reports will detail actual income and expenditure against budget both for Heads of School and at a summary level for the Executive Headteacher, Finance & Audit Committee and full governing body.

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

The monitoring process should be effective and timely in highlighting variances in the budget so that differences can be investigated and action taken where appropriate.

The Finance & Audit Committee will continually monitor the quality of the financial information presented to ensure that what is provided remains appropriate - particularly in terms of the timing, level of detail and narrative.

If a budget overspend is forecast it may be appropriate to vire money from another budget or from the contingency. All budget virements must be authorised by the appropriate person detailed in Appendix A.

## **3.3 Financial accounts**

In respect of its financial accounts, LWCT's board of directors agrees to:

- approve a set of accounting policies;
- maintain proper accounts;
- appoint a registered statutory auditor; and
- prepare annual financial statements (accounts).

LWCT agrees to abide by the EFA's Accounts Direction, which sets out in more detail the requirements and timetable for the preparation and submission of academy trusts' annual reports and financial statements.

In addition to this, LWCT agrees to notify the Secretary of State, via the EFA, of any instances of fraud or theft where the value exceeds any sum notified by the EFA or appears to be systematic.

### **3.3.1 School Fund**

The School Fund is managed by the Finance Administrators for each individual school and is now administered within the accounts system, PS Financials, supported by detailed monitoring and analysis on an excel spreadsheet – this is administered as rigorously as the school's main accounts/public funds.

An external audit is undertaken at the end of each financial year by the school's external auditors.

### 3.4 Internal control framework and principles

The academy trust has put in place a sound internal control framework which recognises public expectations about governance, standards and openness, with specific consideration for the elements outlined in Section 2.3.3 of the AFH 2015 and guidance issued by the Charity Commission (publication CC8 - Internal Financial Controls for Charities). These exist to ensure the reliability and accuracy of its financial transactions.

The directors of LWCT has defined its own standards to underpin its internal control framework. These are based on the “Guidance on Codes of Practice for Board Members of Public Bodies” and the seven principles of public life:

- **Selflessness** - Holders of public office should take decisions solely in terms of the public interest;
- **Integrity** - Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties;
- **Objectivity** - In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merits;
- **Accountability** - Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office;
- **Openness** - Holders of public office should be as open as possible about all decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands;
- **Honesty** - Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest; and
- **Leadership** - Holders of public office should promote and support these principles by leadership and example.

### 3.5 Risk Management, Business Continuity & Insurance arrangements

LWCT has arrangements for recognising, managing and tracking opportunities and risks – outlined in a central Risk Management Register. The board of directors have made a considered choice about its desired risk profile, taking account of its legal obligations, its business objectives, and public expectations of what it should deliver. The trust has assessed the risks arising from its operations (e.g. financial loss) and included the likelihood and materiality of each risk. This information is contained in the central Risk Register with evidence of how these risks are being managed or mitigated. This is reviewed on at least an annual basis.

#### Contingency/Business Continuity Plan

LWCT has a Contingency and Business Continuity Plan (set up in conjunction with its Health & Safety consultants, Judicium) setting out what it would do to ensure the continued operation of the trust, in the event of a critical incident or natural disaster.

#### Insurance arrangements

Part of LWCT’s risk management strategy is to have adequate insurance cover in place – LWCT has opted into the Insurance Scheme offered by the Local Authority from 1 September 2015.

LWCT uses Zurich Municipal for insurance of the school minibus. This has been organised through the Local Authority Scheme.

### 3.6 Financial monitoring and management

The directors of the academy trust agree to monitor the academy trust’s current and forecast financial position.

The board of directors, and the Finance & Audit committee, consider financial reports at least termly and take appropriate action to maintain a balanced budget.

The trust agrees to manage its cash appropriately, to avoid going overdrawn, and to abide by its contractual obligations. The trust has made arrangements to ensure that bank and control accounts are regularly reconciled.

### 3.6.1 Delegated Authority transactions

From time to time the trust accepts that it may find it needs to perform transactions which are outside the usual planned range of activities, but within the scope of 'Delegated Authorities' defined in Section 3 of the AFH 2015. These include:

- a) write-offs (of unrecoverable debts or overpayments) and liabilities;
- b) special payments (transactions outside the usual planned range) – e.g. staff severance payments and compensation payments;
- c) acquisition/disposal of fixed assets, recognising losses of stocks or other assets;
- d) leasing - taking on liabilities by issuing specific guarantees, or providing a letter of comfort; or providing indemnities;
- e) gifts or hospitality received or given.

Where this occurs, in principle:

- the trust will endeavour to always pursue recovery of overpayments, irrespective of how they came to be made. Notwithstanding this, the trust accepts that in practice, however, there will be both practical and legal limits to how cases should be handled;
- the trust agrees it will only consider writing off losses after careful appraisal of the facts (including whether all reasonable action has been taken to effect recovery from the debtor or through insurers), and where it is satisfied that there is no feasible alternative;
- the amounts for write-offs are before any successful claims from an insurer
- before accepting any liability, the trust will appraise the proposal by performing an assessment of the costs and benefits of relevant options using an appropriate method, in order to secure value for money and/or that the value of any liability is within its delegated authority to commit;
- total annual income is defined as grant income as disclosed in the trust's last set of audited accounts; and
- the trust has agreed a policy on the acceptance of gifts, hospitality, awards, prizes or any other benefit which might be seen to compromise their personal judgment or integrity; and agrees to ensure that all members of staff are made aware of this. Where such benefits have been received they will be recorded in a register detailing, for each occasion, the nature of the benefit and the donor, in case of later complaint. When giving gifts, the trust agrees it must ensure that the value of the gift is reasonable, the decision is fully documented and has regard to the propriety and regularity in the use of public funds

There may be occasion where the academy trust is required to seek the approval of the Secretary of State for a 'Delegated Authority' transaction. On such occasions the trust agrees to contact the EFA at [academyquestions@education.gsi.gov.uk](mailto:academyquestions@education.gsi.gov.uk).

### 3.6.2 Disclosure

Irrespective of whether the Secretary of State's approval is required, LWCT will ensure that:

- spending has been for the purpose intended and there is probity in the use of public funds;
- relevant professional advice is obtained where appropriate, including that of their external auditor where necessary;
- spending decisions represents value for money, and are justified as such;
- internal delegation levels exist and are applied within the trust;
- a competitive tendering policy is in place and applied; and
- the trust discloses aggregate figures for transactions of any amount in their annual accounts. In addition, separate disclosure is required in the annual accounts of each transaction covered in section 3.1.8 above £5,000.

The following transactions will be disclosed in total, and individually:

- special payments – staff severance, of any value

Other than what is required under financial reporting standards, the Charities SORP and the Academies Accounts Direction, disclosure can be anonymised.

### 3.6.3 Connected party relationships

Academy trusts must be even-handed in their relationships with connected parties by ensuring that:

- directors understand and comply with their statutory duties as company directors to avoid conflicts of interest, not to accept benefits from third parties, and to declare interest in proposed transactions or arrangements;
- all members, directors, local governors of academies within the academy trust, and senior employees have completed the register of interests retained by the trust, in accordance with sections 3.1.16 to 3.1.19 of the AFH 2015, and there are measures in place to manage any conflicts of interest;
- no director, local governor, employee or related individual or organisation uses their connection to the trust for personal gain, including payment under terms that are preferential to those that would be offered to an individual or organisation with no connection to the trust;
- there are no payments to any director by the trust unless such payments are permitted by the articles, or by express authority from the Charity Commission (which will be given only in exceptional circumstances) and comply with the terms of any relevant agreement entered into with the Secretary of State. Trusts will in particular need to consider these obligations where payments are made to other business entities who employ a director, are owned by a director, or in which a director holds a controlling interest;
- the Charity Commission's prior approval is obtained where the trust believes a significant advantage exists in paying a director for acting as a director; and
- any payment provided to the persons referred to in section 3.2.1 satisfies the 'at cost' requirements in the AFH 2015.

The board of directors will ensure that the requirements for managing connected party transactions are applied across the trust. The chair of the board of trustees and the accounting officer will ensure that their capacity to control and influence does not conflict with these requirements. They will manage personal relationships with connected parties to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with the seven principles of public life.

The academy trust recognises that some relationships with connected parties may attract greater public scrutiny, such as:

- transactions with individuals in a position of control and influence, including the chair of the board of trustees and accounting officer;
- payments to commercial organisations which have a profit motive, as opposed to those in the voluntary sector; and
- relationships with external auditors that go beyond their duty to deliver a statutory audit.

The trust will maintain sufficient records, and make sufficient disclosures in their annual accounts, to evidence that transactions with these parties, and all other connected parties, have been conducted in accordance with the high standards of accountability and transparency required within the public sector.

The academy trust will seek EFA's prior approval for transactions with connected parties that are novel and/or contentious (section 3.3.1 of AFH 2015). The trust will carefully consider the impact of this requirement and its relevance to transactions involving the chair of the board of trustees and the accounting officer.

#### **Register of Interests**

It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from the decisions they make. To avoid any misunderstanding that might arise, all directors, governors and staff with significant financial or spending powers 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.

The register includes 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 also include business interests of relatives such as a parent or spouse or business partner where influence could

be exerted over a director or a member of staff by that person. The Business Manager issues a declaration proforma for completion and maintains a central record of these disclosures in the Risk Management file.

In addition to this, directors, governors and staff are required to declare interests whenever they are relevant to matters being discussed by the board of directors or a local governing body committee. Where an interest has been declared, directors, governors and staff are asked not to attend that part of any committee or other meeting.

(Section 3.1.16 – 3.1.20 of the AFH 2015 provides further stipulations and guidance regarding the Register of Interests)

### **Trading with connected parties**

LWCT agrees to pay no more than 'cost' for goods or services provided to it by the following persons ('services' do not include services provided under a contract of employment):

- any member or trustee of the academy trust;
- any individual or organisation connected to a member or trustee of the academy trust (see specific definitions in Section 3.2.2 of the AFH 2015)

A body is related to another individual or organisation if it: is controlled by the individual or organisation; or controls the organisation; or is under common control with the individual or organisation. For these purposes control means:

- holding more than 20% of the share capital (or equivalent interest); or
- having the equivalent right to control management decisions of the body; or
- having the right to appoint or remove a majority of the board or governing body.

The 'at cost' requirement applies to contracts for goods and services from a connected party:

- agreed by the academy trust on or after 7 November 2013; and
- exceeding £2,500, cumulatively, in any one financial year of the trust.

For these purposes, where a contract takes the trust's cumulative annual total with the connected party beyond £2,500, the element above £2,500 will be at no more than cost.

In relation to organisations supplying legal advice or audit services to the academy trust, the 'at cost' requirement applies where the organisation's partner directly managing the service is a member or trustee of the trust, but not in other cases for those organisations. (NB – LWCT notes that the Companies Act 2006 and the ethical standards of some professions also contain requirements which may prevent certain professionals from acting as a director of the trust).

The 'at cost' requirements do not apply to the trust's employees unless they are also one of the parties described in section 3.2.2 of the AFH 2015.

LWCT will ensure that any agreement with an individual or organisation referred to in section 3.2.2 to supply goods or services to the trust is properly procured through an open and fair process and is:

- supported by a statement of assurance from that individual or organisation to the trust confirming that their charges do not exceed the cost of the goods or services; and
- on the basis of an open book agreement including a requirement for the supplier to demonstrate clearly, if requested, that their charges do not exceed the cost of supply.

For these purposes the cost will be the 'full cost' of all the resources used in supplying the goods or services. Full cost includes:

- all direct costs (the costs of any materials and labour used directly in producing the goods or services); and
- indirect costs (comprising a proportionate and reasonable share of fixed and variable overheads).

Full cost must not include an element of profit.

Should any staff/personnel of an individual or organisation referred to in section 3.2.2 be based in, or work from the premises of, the academy trust, that individual / organisation and the trust will agree an appropriate sum to be paid to the trust for such use/occupation of the premises, save to the extent that they are carrying out work for the trust.

Whilst these provisions do not apply to contracts of employment, the same principles of securing value for money and using public money properly, including managing conflicts of interest, will still apply. Salaries paid will be appropriate to the individual's skills and experience and the salary rates paid in the wider market.

#### **a) Write-offs and liabilities**

The trust understands that it may perform the following financial transactions up to the limits set out below:

- writing off debts and losses, including any uncollected fines; and
- entering into guarantees, indemnities or letters of comfort, excluding those relating to borrowing by the trust.

In accordance with EFA guidance, the delegated limits are:

- 1% of total annual income or £45,000 (whichever is smaller) per single transaction;
- cumulatively, 2.5% of total annual income in any one financial year per category of transaction for any academy trusts that have not submitted timely, unqualified audited accounts for the previous two financial years. This category includes new academies that have not had the opportunity to produce two years of audited accounts; and
- cumulatively, 5% of total annual income in any one financial year per category of transaction for any academy trusts that have submitted timely, unqualified audited accounts for the previous two financial years.

Before accepting any liabilities by: issuing specific guarantees; providing a letter of comfort; or providing indemnities, the trust will appraise the proposal by performing an assessment of the costs and benefits of relevant options using an appropriate method, in order to secure value for money. The trust will ensure that the value of any liability is within its delegated authority to commit.

#### **b) Special payments - staff severance payments and compensation payments**

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

- staff severance payments;
- compensation payments; and
- ex gratia payments.

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

When LWCT is considering making a staff severance payment above the statutory or contractual entitlements, it agrees it must consider the following issues:

- that the directors reasonably consider the proposed payment to be in the interests of the trust;
- whether such a payment is justified, based on a legal assessment of the chances of the academy trust successfully defending the case at tribunal. If there is a significant prospect of losing the case then a settlement may be justified, especially if the costs incurred in maintaining a defence are likely to be high. Where a legal assessment suggests that the trust is likely to be successful, then a settlement should not be offered; and
- if the settlement is justified, the trust will then need to consider the level of settlement. This must be less than the legal assessment of what the relevant body (e.g. an Employment Tribunal) is likely to award in the circumstances.

Special staff severance payments will not be made where they could be seen as a reward for failure, such as dismissal for gross misconduct or poor performance. The only acceptable rationale in the case of gross misconduct would be where legal advice indicates that the claimant is likely to be successful in an Employment Tribunal claim. In the case of poor performance, an acceptable comparison would be the time and cost of taking someone through performance management and capability procedures.

LWCT has the delegated authority to approve individual special staff severance payments provided any non-statutory/non-contractual element is under £50,000. Where the trust is considering making a special staff severance payment or compensation payment exceeding the statutory/contractual entitlement by £50,000 or more, it agrees to seek prior approval from the EFA.

LWCT will demonstrate value for money by applying the same level of scrutiny to a payment under £50,000 as if it were over the £50,000 delegation – in conjunction with the trust's legal advisors.

**Compensation payments** are different to severance payments. Compensation payments are made to provide redress for loss or injury, e.g. personal injuries; traffic accidents; or damage to property. If the academy trust is considering making a compensation payment it agrees it must base its decision on a careful appraisal of the facts, including legal advice and ensuring that value for money will be achieved.

LWCT has the delegated authority to approve individual compensation payments provided any non-statutory/non-contractual element is under £50,000. Where the trust is considering making a special staff severance payment or compensation payment exceeding the statutory/contractual entitlement by £50,000 or more, it agrees to seek prior approval from the EFA.

In this regard, the trust recognises that it is also good practice to consider routinely whether particular cases reveal concerns about the soundness of control systems, and whether they have been respected as expected. If such concerns prove to be well founded, the trust agrees to take any necessary steps to put failings right.

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

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

Ex gratia transactions will always be referred to EFA for prior authorisation. HM Treasury approval may also be needed dependent on the nature of the transaction. If the academy trust is in any doubt about a proposed transaction it will seek prior advice from EFA

### **c) Acquisition and disposal of fixed assets**

LWCT agrees it must seek and obtain prior written approval from the Secretary of State, via the EFA, for the following transactions:

- acquiring a freehold on land or buildings;
- disposing of a freehold on land or buildings; and
- disposing of heritage assets beyond any limits set out in the trust's funding agreement in respect of the disposal of assets generally. (Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture, as defined in applicable financial reporting standards).

The academy trust may dispose of any other fixed asset (i.e. other than land, buildings and heritage assets as described above) without the approval of the Secretary of State.

The academy trust will ensure that any disposal maintains the principles of regularity, propriety and value for money. This may involve public sale where the assets have a residual value.

Where a property transaction is considered to be novel or contentious, it may require the consent of the Secretary of State on that basis (see 'novel and contentious transactions' later in this section).

#### **d) Leasing**

In considering leases, LWCT is aware that there are two types of lease, as defined under relevant financial reporting standards. There are finance leases (which are a form of borrowing) and there are operating leases (which do not involve borrowing). If the trust is in any doubt as to whether or not any particular lease does or does not involve an element of borrowing it will resolve the issue by contacting their professional financial adviser and/or external auditor.

LWCT agrees it must seek and obtain prior written approval from the Secretary of State, via the EFA, for the following leasing transactions:

- taking up a finance lease on any class of asset for any duration from another party, as this would represent borrowing;
- taking up a leasehold or tenancy agreement on land or buildings from another party for a lease term of more than five years; and
- granting a leasehold or tenancy agreement on land or buildings to another party for a lease term of more than five years.

LWCT may take out and grant other types of lease (i.e. other than finance leases, leaseholds and tenancy agreements as described above), without the Secretary of State's approval. For the avoidance of doubt this means that operating leases on assets that are not land and buildings do not require the Secretary of State's approval. LWCT agrees to disclose details of any leases in the trust's annual accounts, in accordance with the Academies Accounts Direction.

Where the academy trust does wish to enter into a lease that requires the Secretary of State's consent, then the trust will contact the EFA in the first instance. LWCT will ensure that any lease arrangement maintains the principles of regularity, propriety and value for money, whether or not the approval of the Secretary of State is required. (If necessary, LWCT will also refer to the DfE and the National Association of School Business Management 'Tips for Successful Leasing in Schools' documentation).

#### **e) Guidelines on Hospitality, Entertainment and Gifts**

LWCT places great value on always treating staff, visitors and indeed anyone associated with the school, with the utmost respect and this is reflected in our general approach to issues to do with hospitality. LWCT's guidelines on hospitality, entertainment and gifts are based upon the underlying principle that hospitality expenditure should not be seen as remuneration or a benefit in kind but simply as a reflection of our approach to working with others. In addition to this the intention of the guidelines is to ensure that the trust can demonstrate that no undue influence has been applied (or could be said to have been applied) by any supplier or anyone else dealing with the trust for trust supplies and services. The trust must be able to show that all decisions are reached on the basis of value for money and for no other reason.

#### **3.6.4 Novel and contentious transactions**

Novel payments or other transactions are those in which the academy trust has no experience, or are outside the range of normal business activity for the trust. Contentious transactions are those which might give rise to criticism of the trust by the public or the media. It is difficult to be specific about what might constitute novel or contentious payments; it is for the directors of LWCT to use their judgement about when they should seek the prior advice of the EFA, with the underlying principle that public money must always be spent prudently and in ways that command broad public support, at the forefront of their minds.



LWCT agrees that any potentially novel and contentious transactions will always be referred to the EFA for explicit prior authorisation. If there is any doubt about the propriety of a payment the academy trust will seek advice from the EFA.

### **3.6.5 Financial Notices to Improve**

Where the EFA has concerns about financial management and/or governance in an academy trust, the EFA may issue a Financial Notice to Improve (FNtI). In the unlikely event that LWCT is subject to an FNtI, the directors accept that all of the delegated authorities and other freedoms in part 2 of the AFH are revoked in relation to the trust, and all transactions by the trust of this nature, regardless of size, must go to the EFA for approval. These delegated authorities shall be returned to the trust providing that the terms set out in the FNtI are complied with and continue to be complied with. (Further guidance regarding FNtI can be found in Section 1.5.6 of the AFH 2015 – EFA Intervention Powers)

### **3.7 Proper and regular use of public funds**

The academy trust agrees it must be able to show that public funds have been used as intended by Parliament.

The academy trust has full authority to perform financial transactions which are deemed to be in the trust's normal course of business or within the delegated limits listed in part 3.1 of the AFH 2015.

Academy trusts must ensure that:

- spending has been for the purpose intended;
- no director, local governing body member, employee or related party gains from their position by receiving payment under terms that are preferential to those that would be offered to an individual with no connection to the trust. In exceptional cases, where there is a clear and significant advantage to the trust, a trustee may be paid for acting as a trustee subject to prior Charity Commission approval;
- all directors have completed the Register of Business Interests kept by the Business Manager and that there are measures in place to manage any conflicts of interest;
- there are no payment(s) to any director unless such payment(s) is/are permitted by the Articles and (where applicable) comply with the terms of any relevant agreement entered into with the Secretary of State. The latter includes situations where payments are made to other business entities who employ the director, are owned by the t, or in which the director holds a controlling interest;
- there is probity in the use of public funds;
- a competitive tendering policy is in place and applied; and
- there is no disposal of publicly funded assets (subject to the thresholds set out in part 3.8 of the AFH 2015) without the Secretary of State's consent, through the EFA.

Where appropriate, LWCT will consider the range of public guidance available on public sector procurement requirements (including annex 4.4 of HM Treasury's Managing Public Money and DfE procurement guidance: 'Buying goods and services').

### **3.8 Other Financial Considerations**

#### **3.8.1 Fees and charges**

The academy trust will normally set fees for its chargeable services at full cost, but it may include an additional rate of return, when in a commercial environment. The fees and charges to be charged will be determined in accordance with chapter 6 of HM Treasury's Managing Public Money.

#### **3.8.2 Whistleblowing**

LWCT has a Whistleblowing policy which is made available to all staff on the central network area. This includes details of whom they can report their concerns to and the way in which such concerns will be treated.

### **3.8.3 Borrowing**

Any restrictions on LWCT's power to borrow are set out in the FA. If needed, LWCT will seek the Secretary of State's prior approval for both short-term borrowing (including overdraft facilities) and medium/longer term loans (including finance leases), 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. (LWCT is mindful that the Secretary of State's general position is that academy trusts will only be granted permission for borrowing in exceptional circumstances, although from time to time limited schemes may be introduced in order to meet broader policy objectives).

For the avoidance of doubt, finance leases are deemed to be a form of borrowing and therefore require the approval of the Secretary of State. Operating leases are not a form of borrowing and do not require the Secretary of State's approval. LWCT will take all steps to ensure that it can identify the type of any lease it is taking out, and if necessary obtain professional advice.

Credit/Purchasing cards will only be used for business (not personal) expenditure, and balances cleared before interest accrues.

### **3.8.4 Managing surplus General Annual Grant (GAG)**

LWCT understands that it is important that the grant is spent as needed to avoid excess calls on Exchequer funding and public borrowing. The EFA previously set limits on the amount of GAG that could be carried forward from one year to the next. These limits have now been removed so that academy trusts have the freedom to keep money aside for when it is needed most and to build up reserves, for example for long-term capital projects.

The DfE expects academy trusts to use their allocated funding for the full benefit of their current pupils. Therefore, it is important that, as/when the trust has a substantial surplus, it will devise a clear plan to illustrate how the surplus will be used to benefit its pupils.

LWCT agree to declare any unspent funds expected to be carried forward at the end of the financial year in the relevant budget forecasts submission to the EFA. LWCT agree to allow the EFA to verify the sums of unspent funds when it checks the trust's accounts and highlight and report, to the relevant DfE Boards, any cases where it has serious concerns about a long-term substantial surplus with no clear plans for use.

## **4.0 FINANCIAL PROCEDURES**

### **4.1 Accounting system**

All the financial transactions of the school must be recorded on the PS Financials accounting system. The PS Financials system is operated by the Financial Management team and includes the following key elements:

- Income
- Staffing & Payroll
- Purchasing
- Payments
- Banking & Cash Management

Detailed information on the operation of the PS Financials system can be found in the user manuals held by the Finance Administrators and Business Manager in their respective offices..

### **Administration**

There is a clear audit trail for all financial transactions from the original documentation to accounting records. Finance records are stored for 7 years in accordance with the Companies Act. Only authorised staff are permitted access to the accounting records, which are securely retained when not in use.

Authorisation and supervisory controls ensure transactions are properly recorded or that errors are identified. All records are protected against unauthorised modifications, destruction, disclosure or loss whether by accident or intention.

## **Access Rights**

The PS Financials 'System Administrator', currently the Business manager is responsible for setting access levels for all members of staff using the system. Access rights within the PS Financials system are defined for each user with a unique ID and password.

## **Back-up Procedures**

The finance system is protected by robust back up procedures through ICT support services Laurel Consultancy Services Ltd (LCS). PS Financials is held on a remote desktop based at the St Lawrence school. The system is backed up daily and stored on a remote server, which is backed up on a weekly basis as part of disaster recovery procedures. Back-up procedures are the responsibility of LCS and are completed electronically. LCS are proactive in monitoring back-ups on a daily basis.

## **Transaction Processing**

- All journal transfers require signed authorisation by the Head of School or the Business Manager;
- Bank Transactions are input by the Finance Administrator/Business Manager (or upon advice from HR & Facilities Lead for payroll BACS process);
- Business Manager obtains and reviews system reports to ensure only regular transactions are posted to the accounting system;
- The Finance Administrators ensure that reconciliations are performed each month for sales ledger control account, purchase ledger control account, payroll control account, debtor control account, all suspense accounts, bank balance per the nominal ledger to the bank statement and that any reconciling or balancing amounts are cleared. Any unusual or long outstanding reconciling items are brought to the attention of the Business Manager; and
- The Business Manager reviews and signs all reconciliations as evidence of review.

## **4.2 Income**

The main sources of income for the school are the grants from the EFA and other outside agencies, together with delegated funding from the Local Authorities.. The receipt of these sums is monitored directly by the Business Manager who is responsible for ensuring that all income due to the school is identified and collected. All collections are receipted, recorded and banked promptly.

The school also obtains income from:

- pupils - mainly for uniform and school meals;
- parents - mainly for trips; and
- the public - mainly for lettings.

### **4.2.1 Cash receipts for uniform and school meals**

For

all cash and cheques received where no other formal documentation exists, separate records are maintained. All cash and cheques are kept in the Finance Office safe prior to banking. Banking takes place once a week or more frequently if the sums collected exceed the £5,000 insurance limit on the Finance Office safe.

Monies collected are banked in their entirety in the appropriate bank account. The Finance Administrators are responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system. The reconciliations are prepared promptly after each banking deposit and are reviewed and certified by the Business Manager – whoever was not party to the original transaction.

### **4.2.2 Trips/Activities**

The Educational Visits Co-ordinator (EVC) and appointed trip leader (named person on the risk assessment) are involved in the organisation of trips/activities for LWCT. The EVC takes responsibility for the collection of sums due. The Finance Administrator (at each school) must prepare a costing sheet giving an estimate of income and expenditure for the number of students going on the trip. Whilst there must be evidence to show that there is no intention to make a profit, due consideration needs to be given to cover costs, DBS safeguarding check costs, if necessary. The trip leader/EVC must advise the Finance Administrator which students are participating in the trip

Students should make payments via their class teacher. These monies will be collected by the Finance Administrator daily.

The Finance Administrator will maintain an up to date record for each trip showing the amount paid and the amount outstanding. This record is sent to the trip leader and EVC, the EVC is responsible for chasing any outstanding amounts if applicable.

#### **4.2.3 Lettings**

The policy for lettings and charging of premises is contained in a separate document. The policy and charges is reviewed annually and approved by the Finance & Audit Committee

The Site Manager is responsible for maintaining records of bookings for facilities and for notifying the Finance Administrator of the amount due from each organisation to enable entry on the sales ledger on the school's accounting system. Wherever possible, payments are collected in advance.

#### **4.2.4 Debtors**

Debts under £500 may be written off by the Executive Headteacher.

Debts over £500 may be written off only with the approval of the Finance & Audit Committee

Debts above the level detailed in the annual funding letter must be submitted to DfE for approval to be written off.

The Financial Management Team will be responsible for chasing outstanding debts.

The following debt recovery policy will be applied:

- If payment has not been received 30 days after invoice a first reminder will be sent requesting payment.
- If payment is not forthcoming after a further 30 days, a second reminder will be sent with a threat of further action (unspecified) to recover the debt if payment is not received within 7 days.
- If payment is still not forthcoming, a third reminder will be sent with a threat of legal action through the small claims court if payment is not received within 7 days.
- If payment is still not forthcoming the matter is reported to the Finance & Audit Committee to seek approval for proceeding with legal action through the small claims court.
- The current aged debtors report together with details of any debts outstanding and requests for debts to be written off will be provided for each Finance & Audit Committee meeting.

#### **4.3 Staffing & Payroll**

The main elements of the payroll system are:

- staff appointments;
- payroll administration and
- payments.

##### **Staff Appointments**

The governing body must approve any school staffing structure changes, with due consideration for any recommendations from Finance & Audit Committee, who must ensure that adequate budgetary provision exists for any staffing changes.

The Executive Headteacher has the authority to appoint staff once the staffing constitution has been approved. The HR & Facilities Lead will maintain personnel files for all members of staff, which include contracts of employment. All personnel changes must be notified, in writing, to the School Business Manager to enable budget monitoring of the Salaries budgets.

## **Payroll Administration**

LWCT's payroll is outsourced to 'Judicium Payroll Services'.

All payroll transactions relating to school staff (permanent or casual) will be processed through the payroll system. Payments for employment will not be made to staff through any other mechanism.

All personnel files are stored in lockable cabinets in the main school office at the St Bernard's site. Only the Executive Headteacher, Head of School, Business Manager, HR & Facilities Lead and HR Administrator have access to staff files but individuals can request to see their own files in line with data protection principles allowing for preparation time to ensure only their personal information is included.

The HR & Facilities Lead and HR Administrator are responsible for keeping the staff personnel database up-to-date via behaviour watch and the HR Breathe database.

## **Payments and Monitoring of the Payroll**

After the payroll has been processed, but before payments are dispatched, a print out of salary payments by individual and showing the amount payable in total will be obtained from the system. The print out must be reviewed and authorised by the Business Manager or Executive Headteacher, before the HR & Facilities Lead can instruct the payroll company to process the payments. All salary payments are made by BACS and this is conducted by the outsourced payroll company.

The 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. The amounts payable are summarised on the gross to net pay print out and the school is authorised to make monthly BACS payments from the LWCT bank account to the employees and pension agencies (TPA and LGPS) HM Revenue & Customs are paid by cheque. The Academy trust commits to ensuring that its senior employees' payroll arrangements fully meet their tax obligations and comply with HM Treasury's guidance and reporting requirements.

After the payroll has been processed the nominal ledger will be automatically updated. Postings will be made both to the payroll control account and to individual cost centres. The Business Manager will 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.

The Business Manager will undertake a monthly reconciliation of employee salaries and on costs and investigate any variances. In addition to this, the Business Manager will check each employee's payroll details to ensure that such costs are offset against the correct budget headings. Each year the Business Manager and HR & Facilities Lead will check each member of staff's gross pay against the payroll system against their respective contract of employment and investigate any variances.

## **4.4 Purchasing**

### **4.4.1 Value for Money statement**

LWCT will achieve the best value for money for all purchases. This means that the school will always consider price, quality and fitness for purpose when purchasing goods or services and adhere to the principles of best value outlined below:

- **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.

This is because a large proportion of the school's purchases will be paid for with public funds and it, therefore, needs to maintain the integrity of these funds. The academy trust's accounting officer agrees to complete and sign a short statement each year explaining how the trust has secured value for money. This will be sent to the EFA and published on the academy trust's website.

#### **4.4.2 Orders for Supplies & Services**

The Business Manager will ensure that there is a clear segregation of duties within the Finance team, such that one individual is not able to record a complete transaction. (See LWCT's Internal Control Framework and Segregation of Duties).

Official purchase orders will be raised using the school's financial accounting system, on receipt of a requisition form signed by the relevant Head of School. Where the value of an order is over £1,000, the authorisation limits detailed in Appendix A must be followed and the documentation attached. Orders will be raised only if documentation is in place and correct.

Telephone/direct verbal ordering will be permitted only in situations where raising an official order is not practicable and with prior approval from the School Business Manager. Full order details must be provided to the Finance Administrator so that the order can be input into the system under an official purchase order number. This is normally undertaken within 24 hours.

#### **4.4.3 Authorisation Limits**

Please see Appendix A (Staffing & Limits of Delegated Authority) to ensure the correct approval has been obtained.

All orders are subject to the rules concerning quotes and tenders below.

##### ***Orders of £1,000 and below***

Consideration to be given to alternative suppliers and evidence attached to requisition if available.

##### ***Orders over £1,000 but less than £2,500***

At least two written/verbal quotations should be obtained for all orders to identify the best source of the goods/services. Written details of quotations obtained should be prepared and attached to requisition for audit purposes. Telephone quotes are acceptable if these are evidenced on the order requisition and faxed confirmation of quotes has been received before a purchase decision is made.

##### ***Orders over £2,500 (£5,000 works) but less than £10,000***

At least three written quotations should be obtained for all orders to identify the best source of the goods/services. Written details of quotations obtained should be prepared and attached to the order requisition for audit purposes.

##### ***Orders over £10,000 – £50,000***

A minimum of three formal quotations to be obtained in writing by a specified date and time, based on a written specification. Evidence to be attached to the requisition.

##### ***Orders over £50,000 – EU Thresholds applicable from 1 January 2016 (Supplies and Services £164,176; Utilities £328,352; Works £4,104,394)***

Goods/services ordered with a value over £50,000, or for a series of contracts which in total exceed £50,000 must be subject to formal tendering procedures as detailed below.

All paperwork relating to the tender to be kept in the Finance Office.

##### ***Orders over EU Threshold***

Purchases over the EU Thresholds are by law subject to EU Public Procurement Directives for the advertising and award of contracts.

#### **4.4.4 Tenders**

##### **Forms of Tenders**

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

**Open Tender:** This is where all potential suppliers are invited to tender. The Executive Headteacher will discuss and agree with the Business Manager how best to advertise for suppliers e.g. general press, trade journals, or to identify all potential suppliers and contact directly if practicable. This is the preferred method of tendering, as it is most conducive to competition and the propriety of public funds.

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

- there is a need to maintain a balance between the contract value and administrative costs,
- a large number of suppliers would come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the school's requirements,
- the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.

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

- the above methods have resulted in either no or unacceptable tenders,
- only one or very few suppliers are available,
- extreme urgency exists,
- additional deliveries by the existing supplier are justified.

### **Preparation for Tender**

Full consideration should be given to:

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

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

### **Invitation to Tender**

If a restricted tender is to be used then an invitation to tender must be issued. If an open tender is used an invitation to tender may be issued in response to an initial enquiry. An invitation to tender should include the following:

- introduction/background to the project;
- scope and objectives of the project;
- technical requirements;
- implementation of the project;
- terms and conditions of tender and
- form of response.

### **Aspects to Consider**

Financial

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

Technical/Suitability

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

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

### **Tender Acceptance Procedures**

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

### **Tender Opening Procedures**

All tenders submitted should be opened at the same time and the tender details should be recorded. Two persons should be present for the opening and recording of tenders as follows: Business Manager and Executive Headteacher.

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

### **Tender Evaluation Procedures**

The evaluation process should involve the Finance & Audit Committee and at least two representatives from the school, usually the Executive Headteacher and the Business Manager. Those involved should disclose all interests, business and otherwise, that might impact upon their objectivity. If there is a potential conflict of interest then that person must withdraw from the tendering process.

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

Full records should be kept of all criteria used for evaluation and a verbal report should be made to the governing body highlighting the relevant issues and advising them of the decision.

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

The accepted tender should be the one that is economically most advantageous unless it can be demonstrated that is not the best option for the school. All parties should then be informed of the decision.

## **4.5 Payments**

Invoices will be paid when the goods or services have been received and are of the quality expected. Any discrepancies must be notified to the Finance Administrator for appropriate action to be taken.

No photocopied or faxed invoices will be paid, but invoices sent electronically by email are acceptable.

At least two different people must be involved in the process of agreeing invoices and authorising payment.

Wherever possible payments will be made by BACS, but cheques will be issued if this is not an option.

The Finance Administrator will ensure that cheques are sent out with the required number of signatures and that all controlled stationery is recorded and stored in a locked cupboard.

All cheques and cash are to be stored in the safe and the keys held within a locked cabinet.

### **4.5.1 Use of Purchasing Card**

Whilst LWCT has no debit or credit cards on the academy bank accounts, LWCT does have four Purchasing Cards linked to the academy's main account which are charged to the account each month. This is for use when it is not possible to purchase goods using the purchase order system. Cardholders keep a log of the items purchase on the card and these are submitted to the Finance Administrators and Business Manager upon their use. There is a maximum monthly limit of £1,000 per card.



#### **4.5.2 Use of Staff Debit/Credit cards for payments**

Where staff have been unable to use the Purchasing card, depending on its circumstances, purposes and risk profile, LWCT will consider permitting staff to make payments by debit or credit cards. In so doing, it will give due consideration to guidance on the use of debit/credit cards contained in HM Treasury's Managing Public Money. Parliament expects academy trusts, like other public sector bodies, to make shrewd and well-informed decisions based on sound commercial principles. This may include setting up direct debits so that credit card balances are repaid in full each month. This can also ensure that the trust's use of credit cards does not conflict with any restrictions on borrowing set out in their funding agreement.

#### **4.5.3 Payments to Individuals**

Payments can be made to individuals on production of an invoice. An enquiry must be carried out on the individual using the HMRC, Employment Status Indicator Tool. The link is: <https://esi2calculator.hmrc.gov.uk/esi> and a reference number will be given for each enquiry.

#### **4.6 Capital Development Plans**

The ability of the school to improve, expand or adapt its buildings and environs is dependent upon the level of capital funding available. The main source of capital income is Devolved Formula Capital (DFC). Capital expenditure is generally funded by DFC and 'Revenue Contributions to Capital' – approved virements from the main revenue budget.

The school reviews capital development priorities for ICT and Premises. These are scrutinised by the Finance & Audit Committee and written into the annual budget under 'Capital Income' and 'Capital Expenditure' headings, for approval by the governing body.

### **5.0 BANKING & CASH MANAGEMENT**

The trust should properly control the operation of bank accounts and reconcile bank balances with its accounting records.

#### **5.1 Bank Accounts**

The opening of all accounts must be authorised by the board of directors who must set out the arrangements covering the operation of accounts in the Scheme of Delegation (Appendix A) This should include 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.

#### **5.2 Deposits**

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

- the amount of the deposit
- a reference, such as the number of the receipt or the name of the debtor.

#### **5.3 Payments and withdrawals**

All cheques and other instruments authorising withdrawal from school bank accounts must bear the signatures in line with the Scheme of Delegation outlined in Appendix A.

#### **5.4 Bank Reconciliations**

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

- all bank accounts are reconciled to the school's computerised ledger;
- reconciliations are prepared by the Business Manager;

- reconciliations are subject to an independent monthly review carried out by the School Business Manager and subsequently confirmed to the Chairman of the Finance & Audit Committee; and
- adjustments arising are dealt with promptly.

## **5.5 Petty Cash Accounts**

The petty cash is administered by the Finance Administrators and is kept in the Finance office safe. Heads of School may authorise the use of Petty Cash for items of expenditure. Payments of petty cash will **not** be made without receipts and signed authorisation from the relevant Budget Holder. The limit for petty cash purchases is £20.00, but the Business Manager may authorise an increase in this limit in special circumstances. VAT receipts will be obtained for purchases where appropriate.

When it is necessary for staff to have access to money during a school visit, every effort will be made to minimise the amount of cash being carried by using a post office 'trips' card.. Authorisation for cash to be taken may be given by the Head of School or the Business Manager. The amount authorised will be consistent with the budget previously approved for the visit or similar visits.

The Finance Administrator is responsible for entering all transactions into the petty cash records on a regular basis. Both regular and unannounced cash counts will be undertaken by the Finance Administrator to ensure that the cash balance reconciles to its supporting documentation. Petty cash will be held in a lockable cash box which is put in the safe overnight.

## **5.6 Cash Flow Forecasts**

The trust should manage its cash position, avoid going overdrawn, and reconcile bank and control accounts regularly.

The Business Manager is responsible for preparing monthly cash flow forecasts to ensure that the school has sufficient funds available to pay for day to day operations. If significant balances can be foreseen, steps should be taken to invest the extra funds and if a shortfall is forecast the Executive Headteacher must be informed to ensure remedial action is taken.

## **6.0 OTHER FINANCIAL MATTERS**

### **6.1 Reserves & Investments**

LWCT will aim to build and maintain a revenue reserve fund of 1% of annual revenue to provide flexibility and certainty in forward planning. LWCT will aim to build and maintain a capital reserve fund of 1% of annual revenue to funding for capital projects, subject to any limits imposed by EFA with regard to carry forwards. 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 governing body.

Investments must be made only in accordance with procedures approved by the board of directors. All investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

### **6.2 Asset Management**

All freehold land and building asset additions in excess of £5,000 and all equipment and vehicle asset additions in excess of £500 are capitalised.

#### **6.2.1 Asset register**

All items purchased with a value over £500 (the school's capitalisation limit) must be entered in an asset register, which is held on the school's Asset Management spread sheet. The asset register should include the following information:

- asset description
- asset number
- serial number
- date of acquisition

- asset cost
- source of funding (% of original cost funded from EFA grant and % funded from other sources)
- expected useful economic life
- depreciation
- current book value
- location
- name of member of staff responsible for the asset

The Asset Register helps:

- ensure that staff take responsibility for the safe custody of assets;
- enable independent checks on the safe custody of assets, as a deterrent against theft or misuse;
- to manage the effective utilisation of assets and to plan for their replacement;
- help the external auditors to draw conclusions on the annual accounts and the school's financial system; and
- support insurance claims in the event of fire, theft, vandalism or other disasters.

### 6.2.2 Security of assets

Stores and equipment must be secured by means of physical and other security devices.

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

### 6.2.3 Disposal of assets

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

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

Where items of equipment are disposed of to staff, the following disclaimer will apply:

*"Items purchased / obtained from LWCT are on a 'bought as seen' basis with no warranty as to their fitness for purpose or likely lifespan."*

Staff will be required to complete and sign a form (Appendix C) which states:

*"I/we the undersigned take ownership of the above item(s) at own risk and understand that LWCT accepts no liability for any damage or injury caused to persons or property resulting from the transportation, storage or use of the item(s) listed above."*

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

### 6.2.4 Loan of assets

Items of school property must not be removed from school premises without the authority of the appropriate Line Manager. A record of the loan must be recorded in a loan book and booked back in to school when it is returned.

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

#### **6.2.5 Depreciation of assets**

LWCT will depreciate fixed assets in line with recognised accounting standards, academy best practice and DfE guidelines. Depreciation rules will be approved by the governing body in advance of preparing the annual accounts in the first year of operation. Any revisions thereafter will be approved by the board of directors.

Depreciation is provided for at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

- Freehold property - 2% on cost
- Long-term leasehold property - 2% on cost
- Motor Vehicles - 25% on cost
- Fixtures and fittings - 10% on cost
- Computer equipment - 25% on cost
- Assets under construction - 0% on cost

Freehold/Leasehold buildings and land are not depreciated on the grounds of immateriality.

#### **6.3 School Companies Policy**

LWCT will not form any companies, subsidiaries or joint ventures without the approval of the board of directors.

#### **6.4 VAT and taxation**

The school works to ensure compliance with VAT and other applicable tax regulations. The school is not registered for VAT at present, but will regularly review this. Under the new legislation, VAT Claims can be made according to the simplified arrangement as detailed in the VAT Information Sheet 09/11 issued June 2011. Claims are made by post monthly to HMRC.

#### **6.5 Data Protection**

The school is fully committed to compliance with the requirements of the Data Protection Act 1998 ("the Act"), which came into force on the 1st March 2000. The school will, therefore, follow procedures that aim to ensure that all employees, pupils, contractors, agents, consultants, partners or other members of the school community who have access to any personal data held by or on behalf of the school, are fully aware of and abide by their duties and responsibilities under the Act.

These procedures are outlined in the LWCT Data Protection Policy, which is reviewed on an annual basis.

### **7.0 AUDIT REQUIREMENTS**

Academy trusts are subject to audit and review to give assurance to Parliament and the public that public funds are being used for the purpose intended.

#### **7.1 Statutory audit**

As set out in part 4 of the AFH 2015, because academy trusts are required by law to produce audited accounts, the members of the trust (or the board of directors, to the extent permitted under the Companies Act) have appointed Whitley Stimpson (of Penrose House, Banbury) as their statutory auditors who are registered under the requirements of the Companies Act, to conduct an audit (which is in compliance with the requirements of the Companies Act) and certify whether the accounts are "true and fair".

The contract for the audit is in writing, in the form of a letter of engagement. The letter of engagement only covers the external audit. If additional services are to be purchased, a separate letter of engagement will be obtained which must specify the precise requirements of the work and the fees to be charged.

The letter of engagement includes provision for the removal of auditors before the expiry of the term of office in exceptional circumstances, notwithstanding the other terms of the contract. Proposals to remove auditors must require a majority vote of the directors, who must provide reasons for their decision.. If the auditors resign, there must be a requirement for them to provide the trust with an explanation within 14 days of their resignation.

The board of trustees agrees to notify the EFA immediately of the removal or resignation of auditors. In the case of removal, the trust board will notify the EFA of the reasons for the removal. In the case of resignation, auditors must copy to the EFA a statement of explanation from the auditors.

## **7.2 Regularity audit**

### **7.2.1 Accounting officer's statement**

LWCT agree that their accounting officer will prepare a statement on regularity, propriety and compliance to be included in the academy trust's annual report. This is a formal declaration by the trust's accounting officer that they have met their personal responsibilities to Parliament for the resources under their control during the year. It includes a responsibility to ensure that public money is spent for the purposes intended by Parliament (regularity) and a responsibility to ensure that appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under their control (propriety), a responsibility to ensure good value for money and for the efficient and effective use of all the resources in their charge. The accounting officer also has a responsibility to advise the board of trustees and the EFA of any instances of irregularity or impropriety, or non-compliance with the terms of the trust's funding agreement. The format of the statement is included within the EFA's Accounts Direction which is issued annually.

### **7.2.2 Auditor's review of regularity**

A review of the accounting officer's statement is included within the remit of the academy trusts' external auditors. The auditor's conclusions on regularity will be addressed jointly to the trust and to the Secretary of State through the EFA. The EFA will draw formal assurance from this regularity audit. Further information is included in the Accounts Direction.

## **7.3 EFA financial management reviews**

In order to gain assurance over the adequacy of financial arrangements governing the use of public funds by academies, the EFA will conduct financial management reviews. These will examine whether the systems and control mechanisms that exist in each trust meet the requirements set out in the Handbook. LWCT agree to engage with such reviews as/when required.

## **7.4 Audit access rights & provision of information**

From time-to-time, the EFA or its agents may carry out audits at the academy trust. The trust will provide the EFA with access to all books, records, information, explanations, assets and premises.

The trust will retain all records necessary to verify the provision delivered by it (or its subcontractors) in relation to its FA and the AFH, and will retain such records for at least six years after the end of the period to which funding relates.

The trust will comply with all EFA information requests, as specified in Section 4.7 of the AFH 2015 – Provision of Information.

## **7.5 Investigation of fraud and irregularity**

LWCT is aware of the risk of fraud and irregularity occurring and, as far as possible, addresses this risk via its' internal control and assurance arrangements - putting in place proportionate controls. LWCT agrees to take appropriate action where fraud and irregularity is suspected or identified.

The trust will notify EFA, as soon as is operationally practical based on its particular circumstances, of any instances of fraud or theft exceeding £5,000 individually, or £5,000 cumulatively in any academy financial

year. Any unusual or systematic fraud, regardless of value, must also be reported. The following information is required:

- full details of the event(s) with dates;
- the financial value of the loss;
- measures taken by the trust to prevent recurrence;
- whether the matter was referred to the police (and why if not); and
- whether insurance cover or the risk protection arrangements have offset any loss.

LWCT understands that the EFA will not tolerate fraud and respects the EFA's right to conduct or commission its own investigation into actual or potential fraud, theft or irregularity, in any academy trust either as the result of a formal notification from the trust itself or as the result of other information received. EFA may involve other authorities, including the police, as appropriate. EFA

## **7.6 Internal audit**

LWCT employs the services of an arm of the external auditors Whitley Stimpson to act as the Internal Auditors.. The Internal Auditor undertakes an internal audit on behalf of the board of directors to test and check financial controls, systems, transactions and risks. The Internal Auditor's work is documented and circulated to the full governors (see Specific Responsibilities outlined in Section 2.6 of this policy).

The work of the Internal Auditor is directed by the Finance & Audit committee appointed by the governing body.

LWCT manage this programme of risk review and checking of financial controls through a combination of:

- an independent, bought-in internal audit service (Internal Audit service) – outlined above; and
- a supplementary programme of work by the trust's external auditor.

The adequacy of these arrangements has been established as part of the process leading to the accounting officer's annual statement, or, where appropriate, through the self-assessment review of financial management and governance.

## **Appendix A – Staffing & Limits of Delegated Authority**

### **1.0 The Financial Management Team**

Mr David Rhodes – Chairman of Directors  
Mrs Leanda Mason – Executive Headteacher  
Mrs Kimberley Jacklin – Business Manager  
Mrs Dawn Saxby – Finance Administrator – St Lawrence School  
Mrs Samantha Montgomery – Finance Administrator – St Bernard's School  
Mrs Kay Smith – HR & Facilities Lead (with specific responsibility for payroll/pensions)

### **2.0 Limits of delegated authority**

#### Purchasing

The financial limits of delegated authority as approved by the board of directors for entering into commitments and ordering goods and services are as detailed below:-

Executive Headteacher	£5,000
Business Manager	£2,500 - £5,000
Head of School	£1,000 –£2,500
Finance Administrator	£1,000

#### Payments

Cheques - All cheques raised up to £5,000 require two signatures, to include an authorised signatory from the Head of School. All cheques raised above £5,000 will be authorised by the Executive Headteacher and the Business Manager.

**Appendix C – Disposal of Assets Disclaimer Form**

<b>Vendor:</b>	<b>Lincolnshire Wolds Community Trust</b>
<b>Site:</b>	
<b>Department:</b>	
<b>Budget Holder:</b>	

**Full Description of Item(s) for Disposal**

<b>Item</b>	<b>Type / model</b>	<b>Identifying features / serial number, etc.</b>

Items are purchased / obtained from Lincolnshire Wolds Community Trust are on a 'bought as seen' basis with no warranty as to their fitness for purpose or likely lifespan.

I/we the undersigned take ownership of the above item(s) at own risk and understand that Lincolnshire Wolds Community Trust accepts no liability for any damage or injury caused to persons or property resulting from the transportation, storage or use of the item(s) listed above.

<b>Signed:</b>	
<b>Organisation:</b>	
<b>Date:</b>	
<b>Position:</b>	