



Nailsea School

**Financial Systems and  
Procedures (Incorporating:  
Investment Policy,  
Accounting Policies and  
Tendering Policy**

Headteacher Mrs D. Elliott

## **Financial Systems & Procedures Policy**

### **1. Rationale:**

- 1.1 This policy has been reviewed and revised with reference to the Academies Financial Handbook (current version September 2019) and covers the duties and obligations of the Academy Trust arising from the Funding Agreement, as agreed between the School and the Secretary of State, through the Education Skills and Funding Agency ( ESFA). This policy should be read alongside the Academies Financial Handbook and Governance Handbook which outlines a Trustee's responsibilities further.
- 1.2 The Governors are responsible for ensuring that there is proper management of financial matters in the school. They have delegated the routine monitoring of the school financial matters to its Resources Committee.
- 1.3 The governing body has to ensure that resources are managed in an effective and proper manner and that value for money is secured and that there is a clear chain of accountability within the Academy to discharge its financial responsibilities to the ESFA.
- 1.4 Academies are responsible to take full control of their financial affairs. As companies, and as a requirement of the Funding Agreement, academies must produce and publish audited company accounts. As charities, academies must maintain accounting records and provide publicly accessible accounts in line with the Statement of Recommended Practice (SORP) for Charities.
- 1.5 The Academy's Governors must ensure regularity, propriety and value for money in their management of public funds.

### **2. Purpose:**

- 2.1 To describe the procedures and processes for ensuring secure financial management of the schools resources, including;
  - 2.1.1 Revenue budget
  - 2.1.2 Devolved capital
  - 2.1.3 Income other than above
- 2.2 To describe the roles and responsibilities of staff and governors in maintaining sound financial management
- 2.3 To describe the procedures used to ensure value for money and to detail financial delegations.

### **3. Guidelines:**

- 3.1 **The Resources Committee** is to:
  - 3.1.1 Devise, supervise and maintain financial systems and procedures within the school to meet the requirements of the ESFA, the Academy's Funding Agreement, Company Law & the Charities Commission, OFSTED and the Audit Commission.

- 3.1.2 The trustees must ensure regularity and propriety in the use of the Trust's funds, and achieve economy, efficiency and effectiveness – the three key elements of value for money. Ensure that finance staff are appropriately qualified and/or experienced, as required by the ESFA, in addition to charitable controls, and governors have the right level of knowledge and training to discharge their responsibilities, and ensure compliance with the 'musts' within the annex of the most up to date Academies Handbook.
- 3.1.3 **The Head teacher** is the accounting officer for the Academy, and must have appropriate oversight of financial transactions, by ensuring that all the academy trust's property and assets are under the control of the trustees, and measures are in place to prevent losses or misuse, including maintenance of fixed asset registers.
- 3.1.4 They must also ensure that bank accounts, financial systems and financial records are operated by more than one person, and full and accurate accounting records are kept to support their annual accounts.
- 3.1.5 The Accounting officer must complete and sign a statement on regularity, propriety and compliance each year, and submit this to the ESFA with the audited accounts, and also demonstrate how the Trust has secured Value for Money via the governance statement in the audited accounts.
- 3.1.6 The Accounting Officer has a duty to share letters from the ESFA/DfE with the Trustees, with annual letters requiring to be discussed, and evidenced as such, at Trustee meetings. They have a duty to report any actions which are incompatible with the Funding Agreement, Handbook and Articles to the ESFA if after consideration they are deemed to be in breach.
- 3.2 The Business Manager** (acting as the Academy's Chief Financial Officer) should play both a technical and leadership role in the trust, with key responsibilities ensuring sound and appropriate financial governance and risk management arrangements are in place, preparing and monitoring of budgets, and ensuring the delivery of annual accounts.
- 3.3 The Business Manager is responsible for:
- 3.3.1 the detailed implementation and management of the Governor's Financial Systems and procedures on a daily basis.
- 3.3.2 the implementation of sound systems of internal control which enable the proper processing of the school's transactions and activities.
- 3.3.3 ensuring that the ESFA's Financial requirements are appropriately implemented.
- 3.4 The **Governing Body** is responsible for setting the annual budget and is to use the following process;
- 3.4.1 The Resources Committee is to discuss the general principles that are to be applied during the drafting of the forthcoming financial year's school budget.
- 3.4.2 During March/beginning of April, on receipt of the funding allocations from the ESFA , the Business Manager will consult with the Head to define the levels of departmental budgets which are to be applied for the forthcoming financial year, in conjunction with assessing the staffing requirements for the next academic year.

- 3.4.3 For the Resources Committee Meeting in Term 4 (subject to any delay resulting from any staff consultation), the Business Manager is to draft a preliminary budget based upon the principles defined by the Resources Committee, the academic years confirmed funding levels and the anticipated staffing, as discussed with the Head Teacher.
- 3.4.4 The draft budget is to be amended to reflect any known/anticipated changes, as necessary, to form the actual proposed budget.
- 3.4.5 The proposed school budget is to be presented to the Term 5 Meeting of the Resources Committee for approval, with a recommendation for approval to the Main Governing Body at their subsequent meeting.
- 3.4.6 By 31st July the agreed school budget is to be submitted to the ESFA as a spending plan for implementation.
- 3.5 To ensure value for money, the purchases of all goods or services valued at £5,000 and over [to a maximum of £60,000] will be subject to obtaining a minimum of three quotes.
- 3.6 The delegated levels of financial authority are as follows:

<b>Purchase Orders</b>	
For purchase orders up to £3,000	Budget Holder, or Delegated Authorised Signatory
For purchase orders £3,001 - £10,000	Above signatory, & Business Manager & Head Teacher
For purchase orders £10,001 - £30,000	Above signatories, & Chair of Resources Subcommittee
For purchase orders £30,001 - £60,000	Above signatories & Chair of Governors
For purchase orders over £60,000	Tender procedures apply

<b>Journals &amp; Virements (individual entries/lines)</b>	
For journals/virements entries up to £3,000	Assistant Business Manager (Finance & HR)
For journals/virements entries of £3,001 - £10,000	Above signatory & Business Manager or Business Manager
For journals/virements entries of over £10,001 - £60,000	Above signatories & Head Teacher
For journals/virements entries of over £60,001	Above signatories & either Chair of Resources Sub-committee or Chair of Governors

3.7 Any central journals or virements, such as automated payroll entries and monthly funding can be entered onto the finance system by the Finance Team with no additional authorisation, in addition to correcting coding error adjustments.

**4. Review:**

4.1 This policy will be reviewed annually and will be next reviewed September 2020

4.2 The Chair of Resources sub-committee and the Business Manager are responsible for the review.

**5. Related Documents:**

5.1 Funding Agreement with the ESFA;

5.2 Current Academies Financial Handbook and Accounts Direction

5.3 Governance Handbook

5.4 Company and Charity Commission guidance - 'Academy Schools: guidance on their regulation as charities', 'CC3: The Essential Trustee' and 'CC8 - Internal Financial Controls For Charities'

**6. Procedures:**

6.1 The school's detailed financial procedures are laid in sections 6 and 7 (below), and should be read and adhered to in conjunction with section 3 of this policy where the authorities and responsibilities are stated to ensure proper financial management of the school is maintained.

**6.2 Budgets**

6.2.1 A School Improvement Plan, linked to a budget plan should be produced, indicating how resources are being used to achieve the aims and objectives. This is published in the prospectus and the Governor's Annual Report.

6.2.2 The **Governors responsibilities** for the school's budgets are to:

6.2.2.1 Ensure the Governor's formal procedures and timetable for the planning of the school budget given at 3.4 is followed.

6.2.2.2 ensure the budget is developed with reference to the school's strategic aims and objectives as stated in the School Improvement Plan;

- 6.2.2.3 ensure that the planned expenditure for each financial year does not exceed the budget available as adjusted for surpluses from the previous year, income receivable, provisions for pay and price increases and other contingencies. Should there be occasion where the planned budget is not met by in-year resources/surpluses, and all reasonable actions have been taken to address this, this should be notified to the ESFA, with the reasons for this, and a recovery plan sought and agreed/monitored.
- 6.2.2.4 consider and approve the annual budget plan and the 3 year financial plan, and any subsequent proposed virements/revisions;
- 6.2.2.5 ensure that the budget is managed effectively and accurate records are maintained and that these are available for audit and inspection as required;

6.2.3 The **Business Manager** is to:

- 6.2.3.1 Prepare estimates of income and expenditure sufficiently in advance of each financial year to allow for consideration and approval of an annual budget by the Governing Body.
- 6.2.3.2 Promptly forward details of the approved budget and any subsequent budget changes to the ESFA, in line with the ESFAs requirements.
- 6.2.3.3 provide monitoring income and expenditure reports to the governing body each term which includes sums committed, but not yet paid, against the approved budget.
- 6.2.3.4 Ensure that where the budget is delegated to departmental level, the responsibility for financial control matches managerial accountability for the use of resources, i.e. budget managers are responsible only for those items of expenditure and income which they can directly control.
- 6.2.3.5 Ensure that budget managers receive and review departmental financial reports which compare the amounts spent or committed to date against their budgets. Departmental reports are to be submitted and reviewed at least once each half term. A summary of significant issues or variations resulting from such reviews are to be brought to the attention of the Head Teacher.
- 6.2.3.6 Monitor the amount of each budget allocation in the light of known activity. If budget headings are under or overspent, funds may be transferred from one budget heading to another using the "virement" or journal process and within the limits of delegated authority.

6.2.4 The **Head teacher** is the accounting officer for the Academy, and as such takes personal responsibility for assuring the Governors that there is compliance with the Academies Financial Handbook and all relevant aspects of company and charitable law. The Head Teacher is to:

- 6.2.4.1 ensure the production of regular, reconciled budget/financial reports for Governors, ESFA, DfE or other bodies as necessary;
- 6.2.4.2 obtain Governing Body approval for budget virements as necessary within the delegated limits;
- 6.2.4.3 assess the adequacy of the departmental financial reports and reviews and any proposed actions to deal with significant variances or issues.
- 6.2.4.4 regularly consult with the Governing Body and staff to ensure that the management and financial information which they receive is relevant, timely, reliable and understandable. They are to report to the Governing Body any proposal for policy changes that significantly affects the expenditure and income budgets. The report is

to highlight current and future annual costs and income for consideration alongside the School Improvement plan.

### **6.3 Internal Financial Control**

6.3.1 The **Head Teacher** is to:

- 6.3.1.1 ensure that sound internal financial controls are in place which are managed on a daily basis by the Business Manager;
- 6.3.1.2 ensure that, as far as is practicable, the duties of staff concerned with financial transactions are distributed so that at least two people are involved in receipts and payments. The work of one person should act as a check on the work of the other
- 6.3.1.3 ensure that written descriptions of all financial systems and procedures are published and kept current. He is to ensure that all appropriate staff are trained in their use and effectively implemented, even in absence of key staff

6.3.2 The **Business Manager** is to:

- 6.3.2.1 oversee the work of the finance team, and ensure their adherence to the delegated limits and relevant financial policies,
- 6.3.2.2 ensure systems of creditor and debtors processes, petty cash account, use of the school credit card, verification of payroll information, and monthly bank reconciliations are sound
- 6.3.2.3 train or arrange for staff to shadow each others duties from time to time.
- 6.3.2.4 ensure that, as far as possible, the duty of calculating, checking and recording of money due to, or from, the school is separated from the duty of collecting or paying out money.
- 6.3.2.5 ensure that alterations to all original documents such as cheques, invoices, orders and other vouchers are made clearly in ink or other permanent form. The use of correcting fluid or the erasing of information is not acceptable.
- 6.3.2.6 properly maintain accounting records and hold them securely. Vouchers and other documents relating to financial transactions are not to be destroyed except in accordance with approved arrangements
- 6.3.2.7 set in place, and maintain, financial systems which allow all financial transactions to be traced via the original documentation and accounting records and vice versa.
- 6.3.2.8 ensure that only authorised personnel are permitted access to accounting records and that all such records are securely retained when not in use.
- 6.3.2.9 Implement a system for maintaining an accurate Fixed Asset register as per the Premises and Asset Management Policy

### **6.4 Purchasing**

- 6.4.1 Authorised signatories must be satisfied that the goods or services are appropriate and required by the school, that there is adequate budgetary provision, and that quotations have been obtained as appropriate.
- 6.4.2 Purchase Orders are to be used for the ordering of all goods and services except for petty cash payments.
- 6.4.3 The **Governing Body** is to:

- 6.4.3.1 To ensure that the school obtains best value for money by setting in place procedures for testing the market before the school is committed to any significant expenditure.
- 6.4.3.2 Establish procedures for obtaining quotations where the estimated value of goods or services exceeds £5,000.
- 6.4.3.3 Delegate its authority to the Resources Committee to scrutinise all quotations which are above £10,000 and is to advise the Business Manager as to the action to be taken.
- 6.4.3.4 To agree the delegated limits of authority for ordering, as contained within this policy.
- 6.4.4 The **Business Manager** is to ensure that:
  - 6.4.4.1 Only Financial Management System 6 (FMS6) generated, sequentially numbered, requisition forms are used.
  - 6.4.4.2 Order forms are only used for goods and services provided for the school. The use of official order forms to obtain goods or services for an individual's private use is forbidden.
  - 6.4.4.3 Order forms are correctly completed, coded and authorised. Copy orders are to be retained by supplier.
  - 6.4.4.4 Establish procedures for obtaining quotations where the estimated value of goods or services exceeds £5,000, and obtain ratification from Governors.

## **6.5 Payment of accounts**

- 6.5.1 The **Business Manager** is to:
  - 6.5.1.1 Implement a system which ensures that all goods and services are checked to ensure that they are in accordance with the order. Whenever possible this check is to be carried out by someone other than the person signing the order. The completeness, or otherwise, of the order is to be indicated by the 'Invoice Authorisation' stamp, delivery documents, order and invoice.
  - 6.5.1.2 Implement a system which ensures that payment is not made unless, and until a proper invoice has been received, checked, and coded and authorised for payment by an authorised signatory. Wherever possible, the authorised signatory for the invoice should not be the person signing the order.
  - 6.5.1.3 Ensure that details of all invoices are to be entered onto the computer-based finance system, and a payment run generated on at least a weekly basis.
  - 6.5.1.4 Invoices paid by the school are to be attached to the corresponding copy remittance advice and filed by supplier in the current year's invoice payment files.

## **6.6 Income**

- 6.6.1 The school is to separate, as far as is practicable, the responsibility for identifying sums due to the school from the responsibility for the collecting and banking of such sums.
- 6.6.2 The **Governing Body** is to establish a 'Charging Policy' for the supply of goods and services. The Business Manager is responsible to the Governing Body for the accounting of all income due and cash collected as set out in that policy.

6.6.3 The **Business Manager** is to ensure that:

6.6.3.1 Where invoices are required they are issued promptly.

6.6.3.2 Official pre-numbered receipts are issued and other formal documentation is maintained for all income collected, and that these receipts, tickets and other records of income are securely retained.

6.6.3.3 Cash and cheques are locked in the safe to safeguard against loss or theft.

6.6.3.4 Collections are promptly paid into the appropriate bank account.

6.6.3.5 Income collections are not used for the encashment of personal cheques.

6.6.3.6 Sums collected are reconciled to the sums deposited in the bank. Bank paying in slips are to show clearly the split between cash and cheques. Cheques are to be identifiable by reference to the receipt numbers and names of the drawers, and cash by reference to receipt numbers.

6.6.3.7 Debts are only to be written off in accordance with the school's 'Debtor's Policy', encapsulating ESFA requirements.

## **6.7 Banking Arrangements**

6.7.1 The **Business Manager** is to ensure that:

6.7.1.1 Ensure that the school receives bank statements monthly for all the accounts and that these are reconciled with school records. Discrepancies are to be investigated and brought to a satisfactory conclusion. All reconciliations are to be certified by the person carrying it out (Finance Officer), and counter-signed by the Assistant Business Manager (Finance & HR) or Business Manager.

6.7.1.2 Ensure that, where practicable, there is separation of duties between the staff who collect and count monies, and the staff responsible for undertaking bank reconciliations.

6.7.1.3 Ensure that individuals do not use their private bank accounts for any payment or receipt related to the school budget.

## **6.8 Petty Cash**

6.9 The Governing Body is to agree an appropriate level for the amount of petty cash to be held. The amount is to represent a balance between the need for the ready access to funds for local payments and the risk of holding cash on the premises. This is currently £600.

6.9.1 The **Business Manager** is to

6.9.1.1 Implement petty cash procedures which ensure that only authorised staff have access to the petty cash, that payments are limited a maximum of £25 for which there is proper authority and budget provision. The school is not to use petty cash procedures for transactions with regular suppliers.

6.9.1.2 Ensure that personal cheques are not cashed from petty cash.

6.9.1.3 Arrange for periodic checks on the completeness of funds held by petty cash holders to be carried out.

## **6.10 Accounting Policies & principles**

6.10.1 **Capitalisation Levels** - The Governors have to establish capitalisation levels for the Academy, above which any assets purchased will be classed as a capital asset, and depreciated as per the policy on depreciation, as detailed below. At the commencement of the Academy this was set at £1,000, and is the level being adhered to for accounting purposes.

6.10.2 **Depreciation rates** - Depreciation rates have been agreed by the governors, on a straight line basis (i.e., an equal amount every year for the life of the asset), unless otherwise stated at the following levels, dependant on the category of asset:

6.10.2.1 Leasehold Buildings – Written down at 2% over a 50 year life

6.10.2.2 Fixtures and Fittings – Written down at 15% over approx.. 7 years

6.10.2.3 Plant & Machinery – classed as F&F, and written down as above

6.10.2.4 IT equipment – Written down at 20% over a life of 5 years

6.10.2.5 Motor Vehicles – Written down at 25%, reducing balance

6.10.3 **Investment Policy** – The investment policy for the Academy is:

6.10.3.1 “Governors are firmly committed to ensuring that all funds under their control are administered in such a way as to maximise return while minimising risk. Governors do not consider the investment of surplus funds as a primary activity, but rather a requirement for the effective management of the various funds entrusted to the Board.

6.10.3.2 Where significant funds have been accumulated that are not required in the short term for operational expenses, or as part of a planned surplus for a specific project, governors may consider the investment of these funds in order to generate a longer term income or capital fund. In addition, the school may at times receive investments as part of a legacy gift.

6.10.3.3 The approval of the Resources is required before any investment is made for sums as defined in the finance policy.”

6.10.4 **Reserves Policy** - The policy on reserves is:

6.10.4.1 “The Academy plans to spend the majority of its revenue income each year on the students in its care, sums are set aside from this each year for planned replacement of capital items such as ICT infrastructure etc. Other reserves are held for the investment in buildings, smooth any change in pupil led funding and to provide for any unforeseen liabilities. The level of reserves will be reviewed each year by Governors.

6.10.4.2 The Governors have determined that the ideal level of free reserves to aim for equates to a full term's expenditure. Nailsea School intends to build up reserves to the ideal level, over time.”

## 6.11 Annual Accounts, Audit & Risk

6.11.1 The **Governing Body** is responsible for;

- 6.11.1.1 ensuring that a full set of accounts are produced annually, along with an annual report from the Governors, which have been produced using agreed accounting policies, and represents a true and fair view of the Academy.
- 6.11.1.2 Ensuring that recommendations arising from auditors, or the responsible officer reports are promptly actioned.
- 6.11.1.3 Annual insurance cover is adequate to cover the risks carried by the Governing Body through the ESFA's Risk Protection Arrangement.
- 6.11.2 The **Head teacher** is responsible for;
  - 6.11.2.1 preparing an annual statement, as part of the Trustee's report, to demonstrate that the school has secured Value for Money
  - 6.11.2.2 prepare a statement for inclusion in the Annual Report on governance, regularity, propriety and compliance.
  - 6.11.2.3 Developing and maintaining a business continuity plan, including a risk register, which is regularly monitored and reviewed
  - 6.11.2.4 Agreeing the annual insurance requirements of the Academy, taking advice from the Business Manager
- 6.11.3 The **Business Manager** is responsible for;
  - 6.11.3.1 The preparation of the annual accounts
  - 6.11.3.2 Liaising with the responsible officer and auditors and accountants as necessary
  - 6.11.3.3 Submitting financial returns to the ESFA, and ensuring the annual accounts are filed in a timely manner
  - 6.11.3.4 Advising the Head teacher on any aspects of/changes to the Academy's risk profile, and the necessary levels of insurance required annually