

# Finance Policy

## November 2020



**ORCHARD ACADEMY  
TRUST**

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## **INTRODUCTION**

The purpose of this Finance Manual and its associated procedures is to ensure that the Orchard Academy Trust maintains and develops systems of financial control which conform to the requirements both of propriety and of good financial management. It is essential that these systems operate effectively to meet the regulatory requirements of the following:

- Companies House and related Company Acts
- Charity Commission as far as it relates to Exempt Charities
- Department for Education (DfE)
- Education and Skills Funding Agency (ESFA)
- Orchard Academy Trust

There must be compliance with the principles of financial control outlined in the Academies Financial Handbook published by the DfE and the Master and Supplementary Funding Agreements. This policy and the associated procedures expand on that and provide detailed information on the schools' accounting procedures and should, along with the Academies Financial Handbook, be read by all staff involved with financial systems.

The principles of best value will be applied to all financial dealings, resulting in the most effective, economic and efficient use of resources.

In ideal circumstances, all meetings will be held in person and all signatures will be carried out physically. However, in extreme circumstances, 'virtual' meetings via Zoom or equivalent will be carried out and email approval will be sought to ensure the continued operations of the Trust.

## 1. ORGANISATION

1.1 The Orchard Academy Trust is a Company limited by guarantee with charitable status as an Exempt Charity. It comprises members of the Trust, who have a strategic role with control over land and assets, and are responsible for appointing the directors and trustees.

1.2 The main responsibilities of the Trust Board are detailed in the Master Funding Agreement between Orchard Academy Trust and the DfE. Key financial responsibilities include:

- ensuring that grants from the ESFA and LEA are used only for the purposes intended;
- approval of the annual budget;
- balancing its budget from year to year;
- production of Annual Financial Statements;
- appointment of the external and internal Auditors;
- appointment of the Executive Headteacher as Accounting Officer and appointment of the Chief Finance Officer (CFO).
- ensuring the trustees/directors and managers have the skills, knowledge and experience to run the Academy Trust;
- ensuring financial plans are in place to secure the short term and long term financial health of the Trust;
- implementing sound internal control and risk management processes;
- ensuring the Academy Trust's current and forecast financial position is monitored
- be able to show that public funds have been used as intended by Parliament
- to be strategic, including ensuring that the Trust has clear aims and values, to raise standards of achievement and to ensure that the Trust's resources are directed in line with the School Improvement Plans (SIP).
- to act as a critical friend, including identifying where the Trust is and is not achieving and supporting and challenging proposals of the Trust
- to be accountable, including the promotion of standards and educational achievement and the Trust's overall performance.

1.3 The Trust Board has defined the responsibilities of key committees and staff involved in the administration of finances to provide a framework of accountability for directors and staff. The Trust Board has delegated certain responsibilities relating to finances to a Trust Finance Committee.

The main responsibilities of this Committee are set out in written terms of reference approved by the Trust Board.

Paragraphs 1.4 to 1.8 below summarise the responsibilities of those individuals with key roles in the administration of the Trust's finances.

### Executive Headteacher

1.4 The Executive Headteacher has overall responsibility for the Trust's' activities including financial activities. The Funding Agreement requires the Trust to identify the Executive Headteacher as the Accounting Officer who is personally responsible to the Trust Board for:

- ensuring regularity, propriety and compliance;
- prudent and economical administration;
- avoidance of waste and extravagance;
- efficient and effective use of available resources; and
- approving some defined senior staff posts together with the Directors;
- authorising purchases above limits agreed within the Purchasing Policy and in accordance with the agreed Scheme of Delegated Financial Authority attached at **Appendix 1**.
- seeking Trust Board approval for purchases in excess of delegated thresholds;
- approving senior staff posts which the Trustees have agreed should be approved by the Executive

- Headteacher and themselves;
- authorising orders, contracts and signing cheques / releasing payments in conjunction with the Chief Finance Officer or other authorised signatory in accordance with the agreed Scheme of Delegated Financial Authority attached at **Appendix 1**;
- assisting Headteachers and the Chief Finance Officer with the preparation of budget plans;
- seeking the Trustees' approval for purchase orders or contracts in excess of delegated thresholds;
- ensuring any actions resulting from the annual audit are implemented.

## Headteacher

1.5 The Headteachers have delegated responsibility from the Executive Headteacher for the day to day running of their individual School. These responsibilities include;

- efficient and effective use of available resources
- the day to day running, staffing and management of their School;
- authorising purchases above limits agreed within the Purchasing Policy and in accordance with the agreed Scheme of Delegated Financial Authority attached at **Appendix 1**.
- approving new staff appointments within the authorised establishment, except for some senior staff posts which the Trustees have agreed should be approved by the Executive Headteacher and themselves
- preparing budget plans in conjunction with the Chief Finance Officer and Executive Headteacher
- authorising orders, contracts and signing cheques / releasing payments in conjunction with the Chief Finance Officer or other authorised signatory in accordance with the agreed Scheme of Delegated Financial Authority attached at **Appendix 1**;
- implementing expenditure in line with their School's budget;

## The Chief Finance Officer

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

- management of the Trust's financial position and reporting this to the Executive Headteacher and to the Trust Finance Committee;
- ensuring financial returns as required by the ESFA are prepared and submitted by the due date;
- ensuring effective systems of internal control are maintained in liaising with the appointed Auditors;
- ensuring the annual accounts are properly presented and adequately supported by the underlying books and records of the Trust;
- provide support and advice for the Finance Officer;
- the delegation of any of the above duties to suitably qualified external agencies.

## Finance Staff

1.7 The Trust employs a Finance Officer and two Finance Assistants to manage the day to day finances, reporting to the Chief Finance Officer. The Executive Headteacher, and Chief Finance Officer will establish procedures to ensure that:

- personnel are competent, suitably qualified and trained to perform at a level commensurate with their responsibilities; clear statements of criteria for personnel selection and formal job descriptions are maintained;
- the finance staffing levels are adequate; and
- there are effective arrangements to deal with the absence of key financial personnel.

## **Role of internal audit**

1.8 The Internal Auditor will undertake an annual programme of reviews to ensure that financial transactions have been properly processed and that controls are operating as laid down by the Trustees.

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

A report of the findings from each visit will be presented to the Trust Finance Committee. The Trustees have appointed their auditors to carry out testing, in line with the Academies Financial Handbook.

## **Appointment of External Auditors**

1.9 The Trustees are required to submit the financial statements for annual external audit. The Trustees have made an appointment for a one-year period renewable at the discretion of the Trust Board.

The auditors are required to give an opinion on whether:

- the financial statements give a true and fair view of the state of affairs of the Trust and have been prepared in accordance with the financial reporting requirements of the ESFA;
- the Trust Board's report is consistent with the financial statements; and
- grants made by the ESFA have been applied for the purposes intended, including enhanced regularity audit based on the Accounting Officer's statement relating to regularity, propriety and compliance.

The auditors are required to report by exception on other matters including:

- if proper accounting records have not been kept;
- if the financial statements are not in agreement with the accounting records;
- if certain disclosures of Trustees' remuneration specified by law are not made;
- if adequate information and explanations were not provided for the audit.

1.10 The Trustees are responsible for ongoing monitoring of the performance of the auditors.

## **Register of interests**

1.11 It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from the decisions they make. To avoid any misunderstanding that might arise, all Trustees and staff with financial or spending powers are required to declare any financial interests they have in companies or individuals from which the Trust may purchase goods or services. The register is open to public inspection.

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

1.13 The existence of a register of business interests does not, of course, detract from the duties of Trustees and staff to declare interests whenever they are relevant to matters being discussed by the Trustees or a committee. Where an interest has been declared, a decision will be taken by those present at the meeting as to whether the Trustee or member of staff should be allowed to attend that part of the meeting.

1.14 The register should be updated at least once a year. All Trustees and relevant staff in posts with financial or spending responsibilities are required to submit a return, including a nil return where relevant. Records are held by the Clerk to the Trustees.

1.15 Any related party transactions will be declared to the ESFA or have approval sought from the ESFA prior to them being committed. Finance staff and Senior Leadership Team must notify the Chief Finance Officer if there are any potential related party transactions well ahead of time. The Chief Finance Officer will then advise on the necessary route to ensure compliance with the ESFA regulations.

### **Financial Information Published on the Academy Trust's Websites**

1.16 In accordance with The Academy Information (England) (Amendment) Regulations 2012 The Orchard Academy Trust will publish the following financial information on each individual school website:

- The Charging & Remissions Policy
- The amount of the School's allocation from the Pupil Premium grant in respect of the current academic year; details of how it is intended that the allocation will be spent; details of how the previous academic year's allocation was spent, and the effect of this expenditure on the educational attainment of those pupils at the School in respect of whom grant funding was allocated.
- Sports provision available at the Schools within Orchard Academy Trust

In accordance with the Academy Funding Agreement, Handbook and the Accounts Direction, the Orchard Academy Trust will also publish on their website:

- Annual Report and Financial Statements by 31 May annually
- Funding Agreement

The information published on the websites will be updated as soon as is reasonably practicable following a change to that information and, in any event, at least annually.

### **Raising Concerns/Whistle Blowing**

1.17 The Trust has drawn up a Whistle blowing Policy, providing guidance to staff and Trustees. This has been formally endorsed by the Board of Trustees, as reflected in their minutes, and brought to the attention of Trust staff through the staff handbooks, and new Trustees as part of their induction training. Trustees review this document every year. The Trust must ensure that all concerns raised with them by whistleblowers are responded to properly and fairly – Academies Financial Handbook 2020.

### **Gifts & Hospitality**

1.18 All offers, gifts and hospitality as inducements for favour should be refused. The Trust has drawn up a Gifts and Hospitality Policy providing guidance to staff and Trustees. The policy is brought to the attention of Trust staff through the staff handbooks.

The Board maintains a register of gifts & hospitality, in which all gifts, accepted or declined, must be recorded by individual members of staff and Trustees. This register will be reviewed on a periodic basis by the Executive Headteacher and Chief Finance Officer and details will be reported to the Board of Trustees annually. Gifts valued at £50 or less received from individual pupils and parents can be excluded from the above provision.

## **2. ACCOUNTING SYSTEM**

2.1 All financial transactions of the Trust are recorded on the approved Finance System, being PS Financials. The Finance System is operated by the Chief Finance Officer, Finance Officer and the Finance Assistants.

2.2 All payroll transactions are currently processed by a Payroll Provider as part of an annual Service Level Agreement. These are uploaded monthly by journal into the Finance System.

### **System Access**

2.3 Entry to the Finance System is password restricted and the Trust ICT Technician is responsible for implementing a system which ensures that passwords are changed periodically. The Trust ICT Technician in conjunction with the Chief Finance Officer is responsible for ensuring that members of staff have appropriate levels of access that are commensurate with their levels of responsibility.

### **Backup procedures**

2.4 The Trust ICT Technician is responsible for ensuring that there are effective back up procedures for the whole of the Finance System. A full back-up is run every night by an external provider (EIS).

### **Transaction Processing**

2.5 All transactions input to the Finance System should be authorised in accordance with the procedures specified in this Manual. The Trust Finance Officer ensures completeness via monthly bank reconciliations and control account reviews. The Chief Finance Officer prepares monthly balance sheet reconciliations to ensure the Finance System shows a true and fair view for the management accounts. Segregation of duty is maintained due to Finance Assistants processing invoices, Finance Officer preparing the payment run, which is then authorised by two separate signatories.

2.6 Detailed information on the operation of the Finance System can be found in the user manuals held in the Finance Offices.

2.7 The Trust will seek to adhere to the control principles set out within the Academies Financial Handbook.

## **3. BANKING AND CASH MANAGEMENT**

### **Bank Accounts**

3.1 The opening of all bank accounts should be authorised by the Trust Finance Committee and reported to the Trustees. The approved Scheme of Delegated Financial Authority at **Appendix 1** sets out the signatory authorities operating on the Trusts' bank accounts.

### **Deposits**

3.2 The main sources of income for the Schools and Pre-School are the grants from the ESFA and from the local authority. The receipt of these sums into the Trust's bank account is monitored directly by the Chief Finance Officer, who is responsible for ensuring that all grants due to the Trust are collected on a timely basis.

3.3 All cash receipts for whatever reason are paid directly into the Trust's bank account.



3.4 Particulars of any cash deposit must be entered on a copy paying-in slip. The details should include:

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

3.5 Any restricted donations received are recorded as Restricted Income on the Finance System, with a remittance stating the requirements for the use of funds filed accordingly.

## **Payments and Withdrawals**

3.6 All cheques and BACs payments and other instruments including bank purchase cards authorising withdrawal from the Trust's bank accounts must be approved in accordance with the Agreed Scheme of Delegated Financial Authority at **Appendix 1**. This provision applies to all accounts operated by or on behalf of the Trustees.

## **Administration**

3.7 The Trust Finance Officer must ensure that bank statements are received regularly and that reconciliations are performed at least every month. Reconciliation procedures must ensure that:

- reconciliations are prepared by the Trust Finance Officer;
- reconciliations are approved by the Headteachers;
- reconciliations are subject to a periodic independent review by the Chief Finance Officer; and
- adjustments arising are dealt with promptly.

## **Petty Cash Accounts**

3.8 The Schools each hold a petty cash float of £200. This is to be used in the following situations:

- Emergencies
- Purchase of small specialised items not available through the normal purchasing process which do not exceed £20 in any one transaction – these can be authorised by the Finance Assistants. The Trust Finance Officer will balance the petty cash on a monthly basis.
- The Trust Finance Officer can authorise up to £30 in any one transaction.

The Chief Finance Officer will exercise discretion over the use of petty cash, in liaison with the Executive Headteacher.

## **Cash Flow Forecasts**

3.9 The Chief Finance Officer is responsible for preparing cash flow forecasts to ensure that the Trust 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 in-line with the Trust's Investment Policy. Similarly, the Chief Finance Officer is responsible for ensuring that appropriate action is taken to cover any potential cash shortage.

## **Prohibition of any Form of Credit Arrangement**

3.10 Generally, schools are not permitted to borrow money, unless they have the approval of the Secretary of State. The Executive Headteacher will ensure that the Trust does not enter into any finance/purchasing arrangement that is deemed to represent a credit arrangement, e.g. finance leases, overdrawn bank account, charge card balances not cleared monthly.

## **Investments**

3.11 Investments must only be made in accordance with the Investment Policy agreed by the Trustees.

3.12 All investments must be recorded in sufficient detail for external scrutiny. Procedures must be put in place to properly account in the Finance System for any income generated as a result of investments made.

## **Investment Policy**

3.13 The Trust maximises the total return on investments whilst containing the risk to an acceptable level. Trustees note the current low level of return on investments and insignificant reserves available for long-term investment at the present time. A bank account has been set up to earn interest on all balances and surplus funds are transferred to a higher earning savings account, when appropriate.

The Trustees have agreed that the Executive Head, in liaison with the Chief Financial Officer will have the authority to move temporary cash surpluses on a monthly basis by transfer to a saving account, if it was appropriate to do so at any given time.

The Trustees will consider medium term investment when considering the budget in future years and update the policy accordingly. Periodical reports are submitted to the Trustees on the performance of investments

## **4. EXPENSES POLICY**

### **4.1 General Principles**

4.1.1 It is the Trustees' policy to ensure that members of staff are reimbursed promptly and appropriately for expenses incurred on Trust business. However, it should be stressed that it is the responsibility of each staff member to ensure that costs are appropriate and reasonable and a VAT receipt is included with the claim. Any attempt, knowingly or falsely to claim expenses in breach of the expenses policy will result in disciplinary action being taken.

4.1.2 It is also the Trustees' policy to ensure the best use of public monies at all times, taking into account the nature of its business.

4.1.3 The Trustees encourage staff wherever possible to use public transport or to cycle or walk in preference to using cars, on the grounds of reducing cost, improving health and minimising the impact of the journey on the environment.

4.1.3 Members of staff are expected to display prudence with respect to business related expenses and at all times, to base their business spending decisions on the best interests of the Trust. Only actual expenses incurred in accordance with the travel guidelines and in the course and interest of the Trust's business, will be reimbursed to employees.

### **4.2 Entertaining visitors**

4.2.1 Staff may entertain visitors and guests only where it is within budgetary limits and is likely to help the Schools to further their business objectives. Advance approval from the Headteachers is required and in-house facilities should be utilised whenever possible.

4.2.2 The names of each person attending must be noted on the claim, identifying which attendees are from the Trust and which are external guests.

4.2.3 Subject to these constraints and those in relation to the Gifts and Hospitality Policy set out in section 8, staff may claim reasonable and appropriate entertaining expenses.

### **4.3 Entertaining staff**

4.3.1 The cost of entertaining other Trust staff is not normally reimbursable. Reimbursement may only be claimed where exceptional business purposes justify the expense and advance approval from the Headteachers is required.

4.3.2 The names of each person entertained must be noted on the claim.

4.3.3 When approval is given and such entertaining results in a taxable benefit on the staff entertained, the Trust will meet this tax liability.

### **4.4 Other Circumstances**

4.4.1 In circumstances where a member of staff could incur other expenses that are not explicitly covered by this policy, reimbursement may be available providing agreement has been reached in advance with the Headteachers.

### **4.5 Reimbursement of expenses**

4.5.1 Expenses will only be reimbursed if they are:

- supported by detailed VAT receipts and credit card slips if necessary;
- submitted on the staff expenses claim form; submitted within three months of being incurred
- the form is fully completed;
- appropriately authorised; and
- claimed in line with this Finance Policy.

4.5.2 In exceptional circumstances, the Trust may consider reimbursing minor claims for travel without supporting documentation, for example the use of a prepaid Oyster card to travel on Trust business where no receipt is currently issued as you pass through the ticket barrier. Staff need to give a full explanation to explain why no receipt is available and must include this on the expense claim form before getting appropriate approval.

4.5.3 In claiming reimbursement, staff must confirm both that the expenses have been incurred and that the Trust business to which they relate has been carried out in the manner most cost effective to the Trust.

4.5.4 Authorised expenses submitted in line with this policy on the required forms will be processed via BACS payments.

4.5.5 Alcohol is prohibited from being purchased by any means through the Trust. This includes entertaining for visitors or staff, gifts, or reclaim of expenses.

## **5. EXTERNAL REPORTING**

5.1 Academy Trusts are companies limited by guarantee with charitable status as an exempt charity. The Academy Trust is required to produce annual financial statements in accordance with the applicable United Kingdom Standards, the Charity Commission "Statement of Recommended Practice: Accounting and Reporting by Charities" (SORP 2005), The Academies Accounts Direction issued by ESFA and the Companies Act 2006. The financial statements should give a true and fair view of the Trust's financial position at the balance sheet date and of the income and expenditure and cash flows for the period ended to that date. They require independent audit examination and will need to contain an independent auditor's report.

5.2 The Annual Report and Financial Statements should be prepared in line with the latest guidance from the ESFA, namely the latest “Academies: Accounts Direction”.

5.3 The Annual Report and Financial Statements must be approved at a meeting of the Trustees and signed and dated on behalf of the school by the Chair of Trustees or another Trust member authorised to do so.

5.3.1 The budget forecast return outturn due in May\* and the 3-year budget forecast return in July\* must be approved by Trustees before submission.

5.4 The audited Annual Report and Financial Statements must be filed with the ESFA by 31 December\* each year and also with Companies House by 31 May\* of the following year.

\*. Various extensions to deadlines were given in the 2019/20 and 2020/21 years due to Covid-19. Deadline dates are being monitored and Reporting Schedules are updated accordingly to ensure all deadlines are met.

## **Other reports**

5.5 All other external financial reports, including budgets, will be presented to Trust Finance Committee.

## **6. FINANCIAL PLANNING**

### **General Principles**

6.1 The School prepares both short-term and medium-term financial plans which are aligned to the needs of the Schools’ Improvement Plans.

### **Short Term Financial Plan (STFP)**

The schools use their SIP to lead the short-term financial plans (STFP) for the current year, showing how the needs of the SIP can be met in the short-term, given the schools’ current financial position. The STFP is put together at the beginning of the financial year using specialist budget planning software designed to forecast financial plans for up to five years.

This plan is updated and discussed regularly (e.g. monthly), in line with known changes to income and expenditure patterns. The Chief Finance Officer and Headteachers work together to achieve this.

The STFP is approved by the Trust Finance Committee once members are satisfied with the projections and that the assumptions made are realistic. Before approval, the level of the forecasted balances is fully scrutinised.

During the course of a financial year, a number of initiatives are discussed at Senior Leadership Team meetings. Before these are approved, the School’s budget is consulted and, if appropriate, the STFP is revised to take into consideration the impact that these may have on the School’s resources. This information is then presented to the Trust Finance Committee for consideration.

### **Medium Term Financial Plan (MTFP)**

The Schools use their SIP to lead the medium term financial plan (MTFP) for the next three years, showing how the needs of the SIP can be met in the medium term, given the School’s current financial position. The MTFP is put together at the beginning of the financial year using specialist budget planning software designed to forecast financial plans for up to five years.

The MTFP enables the Schools to:

- take into consideration the financial implication of changes in pupil numbers;
- take into consideration the plans for growth of the Trust
- plan for a range of alternatives;
- ensure priorities in the SIP are both affordable and sustainable;
- ensure that the budget remains sustainable (i.e. forecast income matches forecast expenditure);
- develop contingencies to deal with unexpected events; and
- avoid deficits or excessive surpluses.

New initiatives are appraised in relation to all likely costs and their financial sustainability before being approved by the Trust Finance Committee. The options are set out in the MTFPs and the results fed back to the Board of Trustees for a formal decision.

6.2 The Improvement Plans indicate how the Schools' educational and other objectives are going to be achieved in the next academic year and over the medium term. They provide the framework for the annual budgets which are a detailed statement of the expected resources available to each School and the planned use of those resources for the following year.

6.3 The financial planning and budgetary control processes are described in more detail below.

## **Annual Budget**

6.4 The Headteachers, in conjunction with the Executive Headteacher and Chief Finance Officer are responsible for preparing and obtaining approval for their annual budgets. The budgets must be reviewed in detail by the Trust Finance Committee under delegation from the Board of Trustees.

As part of the budget setting process, the Schools staffing arrangements (both teaching and support staff) are reviewed by the Chief Finance Officer, Executive Headteacher and Headteacher at each School to take into consideration increment changes, planned structural changes and any other factors known at this time, e.g. staff changes. Once costs such as staffing and premises related matters have been approved departmental allocations can then be set. This is determined by the available resources for the same period, allowing for contingencies, based on the budgeting information issued by the ESFA prior to the commencement of each financial year.

The budgets are prepared in a format which separately identifies income and expenditure and are split between revenue and capital allocations. This facilitates completion of returns and ensures consistency with the accounting system and the returns submitted to the ESFA.

6.5 The approved budget must be submitted annually to the ESFA by the due date set

The Chief Finance Officer is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.

6.6 The annual budget will reflect the best estimate of the resources available to the Schools and Pre-School for the forthcoming year and will detail how those resources are to be utilised. There should be a clear link between the improvement plan objectives and the budgeted utilisation of resources.

6.7 The budgetary planning process will incorporate the following elements:

- forecasts of likely numbers of students to estimate the amount of funding receivable, until receipt of the final funding notifications;
- estimation of future per pupil funding levels
- review of other income sources available to assess likely level of receipts;
- review of past and current performance against budgets, along with expected variations in cost, e.g. pay and price increases, in order to promote an understanding of the cost base;
- identification of potential efficiency savings;

- review of the main expenditure headings in light of the Improvement Plan objectives;
- review of ongoing resource needs;
- estimation of capital expenditure required, using the Schools asset replacement plans; and
- consideration of how best value is going to be achieved.

## **Balancing the Budget**

6.8 Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where savings can be made. This may entail prioritising tasks, implementing changes to deliver efficiency savings or deferring projects until more funding is available. Planned use of reserves to balance the budget will be in line with the Reserves Policy approved by the Trustees. 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 priority need.

## **Finalising the Budget**

6.9 Once the different options and scenarios have been considered, a draft budget should be prepared and proposed by the Executive Headteacher in conjunction with the Chief Finance Officer for consideration and approval by the Trust Finance Committee. Medium term financial forecasts should be presented alongside the annual budget proposals in order that the Trustees can consider and approve budget plans in the context of medium term estimates.

6.10 Once the budget has been approved, it should be communicated to all staff with financial responsibility so that everyone is aware of the overall budgetary constraints. Initial approved budgets will be communicated to Budget Holders at the start of each financial year.

6.11 The budget should be accompanied by a statement of assumptions and hierarchy of priorities so that if circumstances change, it is easier for all concerned to take remedial action. The budget should be seen as a working document which is likely to need revising throughout the year as circumstances change.

## **Monitoring and Review**

6.12 Monthly management accounts which set out financial performance position will be prepared by the Chief Finance Officer based on information from the Trust's accounting system. The reports will include;

- variance analysis of actual income and expenditure and commitments against budget
- balance sheet
- cashflow forecast
- executive summary to explain impact of any variances to the Trust

6.12.1 In line with The Academies Financial Handbook, the management accounts are to be shared with the Chair of Trust every month and Trustees six times a year.

6.13 It is the responsibility of each Budget Holder to manage the budgets under their control and to ensure that the funds available are not overspent. All Budget Holders will be provided with access to online financial information that will include the following:

- Overall summary of financial position;
- Detailed financial summary with actual costs incurred and commitments against budget profile;
- Details of transactions processed against those budgets for which they are responsible.

6.14 Budget holders are responsible for liaising with finance staff if they are aware of any discrepancies in reporting.

6.15 Any potential overspend against budget must be reported to the Executive Headteacher and no additional expenditure committed unless approved by the Executive Headteacher. No payments will be made against an overspent budget without the approval of the Executive Headteacher.

6.16 The Executive Headteacher and Chief Finance Officer will meet at least monthly to discuss the financial position and decide on any appropriate action to be taken. This will also be reported to the Trust Finance Committee.

6.17 Budget Monitoring reports with recommendations will be produced and presented to the Trust Finance Committee.

6.18 The monitoring process will be effective and timely in highlighting variances in the budget with differences being investigated and action taken where appropriate. If a budget overspend is forecast, this should be reported to the Executive Headteacher to authorise this overspend out of contingency / reserves. All budget amendments must be authorised in accordance with the agreed Scheme of Delegated Financial Authority set out at **Appendix 1**.

## **7. FIXED ASSETS**

### **Purchase of assets**

7.1 All single assets or a group of assets purchased with a value over £1,000 must be entered in the fixed asset register by the Chief Finance Officer. Assets of a lower value but which are perceived as a high-risk item, should be entered onto separate asset management registers, maintained by designated staff, for insurance purposes / asset management purposes e.g. laptops, digital cameras etc.

### **Asset register**

7.2 The asset register should include the following information as a minimum:

- the date of acquisition;
- a description of the asset including a unique identification mark such as a serial number;
- the cost of the asset;
- the source of funding e.g. GAG, Devolved Capital, Other DfE, Non-Public; and
- the location of the asset.

7.3 The asset register helps:

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

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

7.5 All items in the fixed asset register should be permanently and visibly marked as the Trusts' property and there should be a regular (at least annual) count by the Site Manager. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and reported to the Executive Headteacher who will report any significant discrepancies to the Trust Finance Committee.

Inventories of Trust property should be kept up to date and reviewed regularly. Where items are used by the Trust but do not belong to it, this should also be noted.

## **Disposals**

7.6 Items which are to be disposed of by sale or destruction must be authorised for disposal by the Executive Headteacher. Approval of the ESFA in writing, must be sought, for any disposal of an asset for which a capital grant in excess of £20,000 was paid.

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

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

7.9 The Trustees must seek the approval of the Secretary of State for any planned disposal of land and buildings.

## **Loan of assets**

7.10 With the exception of ICT assets specifically intended for the purposes, e.g. laptops, property must not be removed from Schools premises without the authorisation of the Headteachers. A record of the loan must be recorded in a loan register and booked back into the School when it is returned.

7.11 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 Chief Finance Officer.

## **Depreciation Policy**

### *7.12 Land and buildings*

- Assets under construction – no depreciation is provided on assets in construction
- Freehold land is not depreciated
- Freehold buildings will be depreciated on a straight-line basis over the economic life of the buildings
- Land and buildings improvements will be depreciated on a straight-line basis over 10 years

### *7.13 Furniture & Equipment*

Furniture & equipment costing less than £1,000 per item or group of items is written off to the income and expenditure account in the period of acquisition. All other furniture and equipment with an expected life of more than one year is capitalised at cost and is depreciated on a straight-line basis over its useful economic life as follows:

- ICT equipment over 3 years
- Other equipment and furniture over 5 years

Certain individual assets may have a 'useful economic life' that varies from the above, for example, a grand piano. Where this is the case, the policy can be varied to reflect this and reflected in the Trust's financial statements.



## **8. GIFTS AND HOSPITALITY**

8.1 The Gifts and Hospitality Policy of the Trust is intended to assist all staff, Trustees and Governors in following the Trustees' guidance and relevant legislation on receipt of hospitality or gifts.

### **General Principles**

8.2 The Trust is responsible for ensuring that the guidelines are brought to the attention of all employees, and that a framework is put in place to ensure they are effectively implemented.

8.3 It is the responsibility of staff, Trustees and Governors to ensure that they are not placed in a position which risks, or appears to risk, conflict between their private interests and their duties at the Trust. This applies to committing resources directly (e.g. the ordering of goods or services) or indirectly (e.g. by policy development).

8.4 The provisions of the policy shall be held to apply to all staff, Trustees and Governors.

8.5 All staff, Trustees and Governors have a personal responsibility to declare hospitality and gifts in accordance with the policy. Non-compliance with the policy may lead to disciplinary action.

8.6 Any offer or receipt of gifts should be notified, in line with the policy, to the Clerk to the Trust who will record in the Gifts and Hospitality Register. It should be noted that this Register is not a confidential document and should be made available to interested parties on request.

8.7 It is the responsibility of the Executive Headteacher to periodically review the Gifts and Hospitality register.

### **Provision of Hospitality**

8.9 The provision of hospitality by employees of the Trust to representatives of other organisations should be modest and appropriate to the circumstances.

8.10 Provision of hospitality by the Trustees to employees or others would not normally be appropriate except in the case of working lunches in the course of meetings or workshops.

8.11 The use of the Trust monies for hospitality and entertainment at conferences and seminars should be carefully considered. The Trustees needs to be able to demonstrate good value in incurring public expenditure.

8.12 Note that where individuals have accepted hospitality from another organisation, for example, in order to fulfil a speaking engagement, this should be of a value equivalent to that normally provided by the Trust and there is no further entitlement to claim expenses from the Trust.

8.13 Hospitality must be secondary to the purpose of any meeting and the level must be appropriate and in proportion to the event. The costs involved must not exceed the level which the recipients would normally adopt when paying for themselves at such an event or that which could be reciprocated by the Trust.

## **9. PAYROLL**

9.1 The main elements of the payroll system are:

- staff appointments;
- payroll administration;
- payments;
- staff terminations

## **Staff Appointments**

9.2 The Trustees have approved a Pay & Rewards Policy.

9.3 The Headteachers have authority to appoint staff with the exception of the Senior Leadership Team, whose appointments shall be made with the Executive Headteacher and a Committee that includes at least one Trustee. Appointments must be made in line with the staff appointments procedure. The Trust Finance Officer will maintain personnel files for all members of staff including contracts of employment.

9.4 All personnel changes must be immediately notified to the Trust Finance Officer, who will then inform the Payroll Provider.

## **Pre-Employment Checks**

9.5 Before a member of staff is allowed to take up their position, the Orchard Academy Trust ensures that thorough checks are undertaken to prevent unsuitable people from gaining access to children and to maintain the integrity of the teaching profession. These checks include:

- identity confirmation
- academic qualifications, where appropriate
- professional and character references
- previous employment history
- DBS clearance

## **Payroll Administration**

9.6 Payroll Management and Payroll payments are administered externally. The detailed terms are outlined in the annual Service Level Agreement.

9.7 The Trust Finance Officer is responsible for checking that all payroll information is received by the Trust on a monthly basis and to promptly check and obtain authorisation from the Executive Headteacher to enable the Payroll Provider to proceed with payments.

9.8 The Trust Finance Officer will ensure that the Payroll Provider has complete details of sickness and any other absences during the month, in addition to any new appointments, contract amendments or terminations in the period.

## **Retention of Personal Information**

9.9 Individual personnel files are held for all Trust staff. These files contain copies of all contracts and any other related documentation, e.g. interview notes, letter of appointment, performance management records, etc. The admin staff will ensure that these files are complete and up to date. All payroll and personnel records are kept securely and treated with strict confidentiality. Access to personnel records and data is restricted to the following authorised staff:

- Executive Headteacher
- Headteachers
- Chief Finance Officer
- Trust Finance Officer
- Admin staff

Access to personnel records is granted to the auditors and the above personnel. The Orchard Academy Trust is registered under the Data Protection Act and complies with its requirements.

## **Payments**

- 9.10 All salary payments are made by Payroll Provider in line with the arrangements outlined in the annual service level agreement.
- 9.11 The Trust Finance Officer is responsible for reconciling payroll control accounts at the end of each month.
- 9.12 The Trust Finance Officer will maintain detailed records of the monthly payroll and maintain an ongoing reconciliation with the Finance System.
- 9.13 The Chief Finance Officer will check that the gross pay per the payroll system agrees to the budget working papers and be responsible for investigating any discrepancies.

## **Staff Terminations**

- 9.14 The Trust Finance Officer is responsible for notifying the Payroll Provider in a timely manner of staff terminations to ensure payments are ceased at the correct date.
- 9.15 The Trust Finance Office is responsible for ensuring holiday pay is adjusted for in the final months' salary for any staff member leaving during the year.

## **10. PURCHASING** **General Principles**

- 10.1 It is the policy of the Trust to seek best value for money in respect of all purchases, i.e. goods and services of the requisite quality and quantity delivered on a timely basis at the best price possible.
- 10.2 It is the Trust policy to ensure the best use of public monies at all times.
- 10.3 The Schools will ensure transparency in the purchase of goods and services and demonstrate that there is no corruption or private gain involved in the contractual relationships of the Trust.
- 10.4 The Trust, Schools and Pre-School will deal with all parties on a fair and equitable basis.

## **Purchasing < £8,000**

- 10.5 Order requisitions must be submitted to the Finance Assistants using the relevant form and this must be authorised by the Budget Holder and Headteacher.
- 10.6 The Finance Assistants are responsible for checking that there is sufficient budget available, and if so, raising an official order on the Trusts' accounting system.
- 10.7 In the first instance, a supplier should be chosen from the list of approved suppliers maintained by the Finance Team. If the Budget Holder considers that better value for money can be obtained by ordering from a different supplier, this must be discussed and agreed with the Trust Finance Officer.
- 10.8 For all purchases over £1k, three prices will be sought to confirm that best value for money has been obtained.
- 10.9 All orders must be authorised via the finance system by the Headteacher at the relevant School or the purchase will not proceed.
- 10.10 Purchase Orders will have a unique reference number and will be dispatched by post, fax or email to the supplier by the Finance Assistants once approved.

10.11 The Finance Assistants must make appropriate arrangements for the delivery of goods to the School. Upon receipt of goods, a member of staff should sign for receipt of the number of packages being delivered. The delivery docket should be signed unchecked. Goods should be checked against the delivery note and the original order by either the Budget Holder or other designated member of staff. A record of any discrepancies between the goods delivered and the Goods Received Note (GRN) should be made and followed up by Budget Holder or Finance Assistants.

10.12 The GRN must be authorised by the person checking the goods to confirm the quantity and quality of the goods. Discrepancies should be reported by the Finance Assistants to the supplier of the goods without delay and make any arrangements as necessary.

10.13 If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Finance Assistants should be notified immediately.

10.14 Upon acceptance of the goods a copy of the authorised GRN should be sent to the Finance Assistants to match against the invoice on receipt.

10.15. Invoices will be matched to purchase orders and goods received notes and processed by the Finance Assistants on the accounting system. If there is no order on the system, the Finance Assistants will send invoices to Budget Holder for authorisation. Budget Holders will promptly authorise and return to the Finance Assistants.

10.16 The following checks are to be made by the Finance Assistants before any invoices are processed for payment:

- a) the invoice is arithmetically correct;
- b) goods or services are received;
- c) goods or services are those ordered;
- d) prices are correct;
- e) VAT is treated correctly; and
- f) invoices are authorised for payment;

10.17 If a Budget Holder is pursuing a query with a supplier, the Finance Assistants must be informed of the query and periodically kept up to date with progress.

10.18 At the end of every week (where possible), the Trust Finance Officer will collate all invoices for payment due within their payment terms.

10.19 The payment list is produced and checked together with associated paperwork and signed by the two signatories in accordance with the bank mandate. Payment will be processed by BACS where possible; otherwise Cheques will be used.

### **Purchasing £8,000 or greater**

10.20 At least three written quotations should be obtained for all orders between £8,000 and £50,000 to identify the best source of the goods and services. Written details of quotations obtained should be prepared and passed to the Executive Headteacher who will retain for audit purposes. Telephone quotes are acceptable if these are evidenced and faxed / e-mailed confirmation of quotes have been received before a purchase decision is made.

10.21 All orders above £8,000 but less than £25,000 need to be authorised by the Executive Headteacher.

10.22 All orders above £25,000 but less than £50,000 need to be authorised by the Executive Headteacher and the Trust Finance Committee.

10.23 Purchases over £50,000 will require no fewer than three competitive tenders and will be submitted to the Trust Board for review and approval.

10.24 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 Budget Holder must discuss and agree with the Chief Finance Officer how best to advertise for supplier's e.g. general press, trade journals or to identify all potential suppliers and contact directly if practical. 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 come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the School's requirements; and
- 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; and
- additional deliveries by the existing supplier are justified

#### *Preparation for Tender*

10.25 In the evaluation of tenders, full consideration should be given to:

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

10.26 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*

10.27 If a restricted tender is to be used then an invitation to tender must be issued.

10.28 If an open tender is used an invitation to tender may be issued in response to an initial enquiry.

10.29 Contracting authorities must follow OJEU process for the tendering of goods and services where the value exceeds the published threshold (As at 1st January 2020 this is £189,300).

10.30 An invitation to tender should include all of the following:

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

10.31 The following aspects will be considered in the tendering process:

*Financial*

- The quality of goods and services in the proposition should be considered along with the price, i.e. if a lower price means a reduced service or lower quality this should be factored in to the decision-making process;
- Care should be taken to ensure that the tender price is the total price and that there are no hidden or extra costs; and
- Scope for negotiation on price.

*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*

- After sales service;
- Financial status of supplier.

*Tender acceptance procedures*

10.32 The invitation to tender should state clearly the date and time by which the completed tender document should be received by the Trust.

10.33 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.

10.34 Late tenders should normally be rejected and retained unopened until the contract has been awarded and then returned to the tenderer together with an explanatory note.

*Tender opening procedures*

10.35 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 of tenders.

10.36 A separate 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.

## *Tendering procedures*

10.37 The evaluation process should involve at least two people. 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.

10.38 Those involved in making a decision must take care not to accept gifts or hospitality (see policy on Gifts and Hospitality) from potential suppliers that could compromise or be seen to compromise their independence.

10.39 Full records should be kept of all criteria used for evaluation.

10.40 A report should be prepared for the Trustees highlighting the relevant issues and recommending a decision.

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

## **11. SEGREGATION OF DUTIES**

### **Policy Statement**

11.1 The Trustees and Trusts staff must consider the principle of segregation of duties when designing and defining job duties. They must implement processes and control procedures that, to the extent feasible, segregate duties among employees and that include effective oversight of activities and transactions.

11.2 Maintaining segregation of duties is especially challenging for functions with small numbers of staff. When these functions cannot be separated, more reliance must be placed on administrative oversight. A detailed supervisory review of activities involving finances, inventory, and other assets is required as a compensating control activity.

### **General Principles**

11.1 The Trustees and the ESFA require that accounting transactions be authorised according to sound management practices. One of the most basic, yet most important principles of sound management is that of segregation of duties.

11.2 Segregation of duties is critical because it ensures separation of different functions and defines authority and responsibility over transactions. Segregation of duties is critical to effective internal control; it reduces the risk of both erroneous and inappropriate actions.

11.3 The fundamental premise of segregated duties is that an individual should not be in a position to initiate, approve, and review the same action.

11.4 The performance of reconciliations and the asset (e.g. money, inventory) custody function should be separated among employees. These are called incompatible duties when performed by the same individual.

## **12. RESERVES POLICY**

12.1 The Trust is able to hold two types of funds:

Unrestricted Funds – which represent those resources which may be used towards meeting any charitable objects of the Academy Trust at the discretion of the Trustees.

Restricted Funds - which comprise funds received from the ESFA, DfE, Kent County Council and other organisations which are applied for specific purposes including the normal running costs of the Trust.

12.2 The Trust needs to hold reserves for a number of reasons, examples of which are listed below:

- Contingency / Minimum Prudent Level of Reserves to deal with unforeseen events that cannot be contained within the annual approved budget;
- A planned build up of funds to pay for some major work, project or replacement programme;
- Funds held from one year to the next to manage variations in funding levels or specifically allocated grants for which carry forward is allowed;
- Change management costs e.g. redundancy payments to staff, and
- Fixed asset funds which are applied to specific capital purposes where the asset acquired or created is held for a specific purpose.

12.3 The Trustees will ensure that the Reserves Policy is in accordance with the requirements laid down in the Academies Financial Handbook.

12.4 It is the policy of the Trustees to hold reserves to support future education purposes in line with the Improvement Plans and to help bridge any anticipated budget gap over the medium term.

### **13. INCOME SOURCES AND FUNDING REQUESTS**

#### **General Principles**

13.1 The Trust will ensure that all sources of income available are correctly reported and allocated in accordance with set guidelines.

13.2 Specific criteria are attached to each source of income, and roles and responsibilities around the allocation of resources are clearly defined.

#### **Income Sources**

13.3 The main sources of income for the Trust are grants receivable from the ESFA and Kent County Council and fees, charges and voluntary contributions. The receipt of these sums is to be monitored directly by the Finance Officer and the Chief Finance Officer.

13.4 All cash and cheques received must be locked in a secure location as agreed by the Trust Finance Officer prior to banking.

13.5 Banking should take place at least once a week, and more frequently where the sums collected exceeds what may be held on the premises at any one time provide for insurance purposes.

13.6 Monies collected must be recorded in their entirety in the Trust's finance system.

#### **Grant Income**

13.7 Grant Income is defined as restricted funding due from the ESFA, local authority or other public funding body designated for specific expenditure. For example, the General Annual Grant is receivable from the ESFA to fund the operational costs of the Trust, namely; staffing, premises, occupancy, supplies & services.

13.8 Complete records of all Grant Income and related expenditure must be maintained for auditing purposes.

13.9 The Chief Finance Officer is responsible for ensuring that all grants receivable by the Trust are collected



on a timely basis, and that the reporting required in respect of the grant income receipts is produced.

13.10 Grant Income receivable should be included in cash flow forecasts for the Trust.

### **Donations and Sponsorship**

13.11 Donations and Sponsorship are defined as amounts paid by companies or individuals to the Trust for the purpose of furthering the objectives of the Schools.

13.12 Donations and sponsorship may come with restrictions from the donor /sponsor, and it is the responsibility of the Schools to ensure that the utilisation of funds is compliant with any conditions attached.

13.13 Donations made to the Trust are to be banked and coded in the Finance System to enable clear identification.

13.14 The Finance Assistants are responsible for maintaining records of the donations and sponsorship received, including details of any conditions attached, for example, monies to be spent on specific areas, or specific branding requirements and for reporting donations and sponsorship to the Executive Headteacher and Chief Finance Officer. The Chief Finance Officer will maintain a record of the use of funds.

13.15 The Chief Finance Officer will report to the Trust Finance Committee on the decisions taken in regard to the allocation of donations and sponsorship.

### **Fundraising**

13.16 Fundraising is defined as monies given in respect of a specific charitable event held by the Schools, for the stated purpose of providing funds to support a particular project or initiative.

13.17 Fundraising monies should be ring-fenced from other charitable income for the stated purpose for which the monies were raised.

13.18 Complete records of the amounts raised and utilised must be kept by the Trust Finance Officer for auditing purposes.

13.19 Monies collected through specific fundraising activities are to be banked in and coded in the Finance System to enable clear identification.

13.20 The Finance Assistants will be responsible for maintaining records of the monies collected, and monitoring use of these funds to ensure that they are allocated in accordance with the fundraiser's remit.

13.21 The Chief Finance Officer will report to the Trust Finance Committee on amounts raised and allocated.

## **14 REVIEW OF THE FINANCE POLICY**

14.1 The Finance Policy will be reviewed at least annually by the Trust Finance Committee.

## **15. RISK MANAGEMENT**

### **15.1 Board of Trustees' Responsibilities for Risk Management**

The Charity Commission requires charities to include a statement in the Trustees' annual report confirming that all major risks to which the charity is exposed have been reviewed and systems have been established to mitigate those risks.

The Board has overall responsibility for ensuring there is a risk management strategy and a common approach to the management of risk through the Trust through the development, implementation and embedding within the Schools of a formal, structured risk management process.

In line with this policy, the Board considers the major risks from the outset in order to make and sign up to that statement. For example, Trustees have determined:

- what the major risks are to the Trust;
- what the likelihood is of those risks materialising;
- what would be the potential impact of the risks;
- what systems have been put in place to mitigate and monitor the risks; and
- a decision on the level of risk to be covered by insurance;

The risk management process should include preparation of a contingency and business continuity plan to deal with crises that could face the Trust.

Trustees must also ensure that the Trust complies with general legislative requirements covering employment, property and health and safety regulations. They also need to think about how they can mitigate against those working for the Trust from acting unlawfully, imprudently or outside the terms of the Trust's governing documents, and are expected to consider whether indemnity insurance should be taken out to cover them against this liability.

Trustees are at risk of personal liability if they cause loss to the Trust by acting unlawfully, imprudently or outside the terms of the Trust's governing document.

## **15.2 The Risk Management Process**

The Board will decide upon an appropriate individual with the Trust to take overall control of the risk management process and to chair the Trust Finance Committee; who have overall responsibility for risk management. Senior members of the management team will meet to identify and assess the risks. Prior to the meeting, the attendees will consider and submit to the Chair, what they perceive to be the risks to achieving the objectives of the Trust. From these submissions, the Chair will arrive at an overall list of the risks facing the organisation.

## **15.3 The Risk Management Meeting**

The objectives of the risk meeting are as follows:

- discuss and agree that all involved are satisfied with the Chair's list of risks;
- determine the appropriate response to each risk;
- assess existing controls and determine appropriate action;
- allocate responsibility for action; and
- agree future reporting and review procedures.

Each risk will be discussed and rated in terms of likelihood and impact, and subsequently decide what their risk appetite is. This will determine what response the board wishes to make to each risk.

Controls will be identified that exist to mitigate those risks identified. The value for money of the chosen responses needs to be considered. Clear responsibilities will be allocated to the list of actions together with a deadline required to produce an acceptable internal control system.

#### **15.4 The Risk Register**

Following the meeting, Trustees will produce a Risk Register which demonstrates the results of the risk assessment process. The final version of the register will be circulated to all Trustees and staff of the Schools so they are aware of the risk management policy and controls in place to limit exposure to risk.

#### **15.5 Ongoing Review and Reporting Mechanisms**

The Audit Committee of the Trust leads on a process for continuing review of the risk register, bearing in mind that the key risks faced by the Trust may change and that the adequacy of internal control systems require regular re-assessment.

## 15.6 Categories of Risk

The table below offers a summary of the most common categories of risk which is not an exhaustive list.

Category of Risk	Illustration/Issues to Consider
Political	Possible political constraints such as change of government
Economic	Economic factors such as inflation, budget constraints, new funding formulae
Socio-Cultural	Demographic changes affecting demand for School places, change of stakeholder expectations
Technological	Obsolescence of current systems, procurement and best use of technology to achieve objectives
Legal	Laws and regulations which impose requirements e.g. health & safety, employment legislation
Environmental	The need for buildings to comply with changing standards, disposal of rubbish, CO2 emissions
Operations	Overall capacity and capability to achieve objectives
Service Delivery	Failure to deliver the agreed service
Resources-Financial	Availability and allocation of funding; poor budget management
Resources-Physical	Security against loss, damage and theft of physical assets and fraud including identification of areas which can be insured
Resources-Human	Availability, retention, skills and capacity of staff
Resources-Information	Adequacy of information for decision making; security of information against loss, damage, theft and fraud
Relationships	Threats to relationships with delivery partners; customer satisfaction; accountability (particularly to Parliament)
Reputation	Confidence and trust which stakeholders have in the organisation
Governance	Propriety and regularity; compliance with relevant requirements; ethical considerations
Scanning	Failure to identify threats and opportunities
Resilience	Capacity for accommodation, systems and ICT to withstand adverse impacts and crises; contingency planning and disaster recovery e.g. fire, flood, failure of power supply etc.
Public Sector targets	New targets challenging the Trust's capacity to deliver
Change Programmes	Programmes which threaten current capacity to deliver as well as providing opportunity to enhance capacity
New Projects	Prioritising new activities that are competing for resources
New Policies	Policy decisions creating expectations that the Trust has uncertainty about delivery

## 16 Security

### Computer Systems Data Security

16.1 IT systems are used to process and record financial, student, personnel and other management data efficiently and it is therefore important that such information is properly protected and backed up with access restricted only to authorised users. The Orchard Academy Trust use PS Financials and the IT Support for this software is provided by a service level agreement with PS Financials.

16.2 Only authorised software is used in each School to prevent viruses being imported. Anti-virus software is installed on computers used for School management.

16.3 Custody and smooth-running of the accounting system and records is the responsibility of the Chief Finance Officer who ensures that relevant staff members are familiar with the procedures. Staff training takes place as necessary.

## **Data Protection**

16.4 The Trust has a current valid Data Protection Act registration that is renewed on an annual basis. The Schools' registration expires each year and it is the responsibility of the Trust Finance Officer to ensure continuous renewal.

16.5 A Service Level Agreement has been entered into with a Data Protection Officer who ensures compliance with all GDPR Regulations.

## **Access Rights**

16.6 Only authorised staff members have access to computer hardware and software used for School management. The ICT Technician sets access rights at the appropriate level for each member of staff. Passwords are not disclosed and staff are advised to change them regularly (at least every 6 months).

## **Retention and Disposal of Accounting Records**

16.7 The Executive Headteacher is responsible for ensuring that the accounts and supporting records of the Trust are maintained securely in accordance with proper practices and for the safer custody and proper use of controlled stationery.

16.8 All accounting records are retained securely to safeguard documents against loss, destruction or unauthorised alteration for the periods specified in the Document Retention Record (see below).

16.9 All personnel files are locked away within the Executive Headteacher's office and payroll information is locked away within the Trust Finance Officer's office. Bank statements, budget information and secured stationery (e.g. receipt books, pre-numbered invoice books, pre-numbered order books, etc.) are locked away within the finance offices. Cheque books are retained within the safe. The reasons for the retention of finance related documents are twofold:

- to comply with the statutes of limitation.
- to allow inspection by auditors either internal or external and HM Revenue and Customs, who may need to investigate records going back some years.

Care is taken to dispose of documents containing sensitive data appropriately, usually by shredding.

## Recommended Document Retention Periods

16.10 Documents should be retained for the periods shown, ensuring that these documents are properly safeguarded to prevent loss, destruction or unauthorised alteration.

Document	Retention Period
Published Annual Report and Financial Statements	Permanent
All records relating to VAT	6 years after the end of the financial year to which they relate
Salaries & Wages	6 years after the end of the financial year to which they relate
Pensions	6 years after the end of the financial year to which they relate or on the date on which the staff member reaches the age of 70, whichever is the later. Where pensions are being paid after retirement, records should be retained until such a time as pension is not required to be paid to any benefactor
Principal ledger records, including cash books, general ledgers and journals	6 years after the end of the financial year to which they relate
Other major accounting records e.g. paid invoices, receipts, cleared cheques, bank statements, insurance policies etc.	6 years after the end of the financial year to which they relate
Minor accounting records: deposit slips, cheque counterfoils, cancelled cheques, petty cash expenditure accounts	Unless the external audit is still open – 18 months after the end of the financial year to which they relate BUT 6 years if they relate to VAT
Fixed asset registers, year-end statements of stock and supporting statements of stocktaking	6 years after the end of the financial year to which they relate
Major establishment records including personal files, letters of appointment, employment contracts, references and related correspondence and records of leave	6 years after the staff member leaves the Trust
Internal audit files and reports	2 years after formal clearance by the external auditor
Debtor records	Unless the external audit is still open – 18 months after the end of the financial year to which they relate or are written off but at least 6 years in respect of any fraud
Tender documentation bearing signatures e.g. contracts, documents relating to successful tender; tender opening summary, envelopes etc.	Must be retained in original form for 6 years (or 12 years for contracts under seal), or the project life plus 2 years, whichever is greater
Unsuccessful tenders and tender evaluations	Must be retained in original form for current year, plus two preceding years

# APPENDIX 1

## AGREED SCHEME OF DELEGATED FINANCIAL AUTHORITY

1	Approval of annual revenue and capital budget plans	Delegated to Trust Finance Committee
2	Approval of property maintenance financial plan	Delegated to Trust Finance Committee
3	Approval of budgeted staff establishment	Delegated to Trust Finance Committee
4	Monitoring expenditure	Monthly monitoring reports produced for Budget Holders. Monthly management accounts produced for the Headteachers and Executive Headteacher and the Chair of the Trust, by the Chief Finance Officer and submitted to the Trust Finance Committee
5	Approval of charging and remissions policy	Delegated to Trust Finance Committee
6	Approval of purchase orders or contracts up to £8k	Headteachers
	Approval of purchase orders or contracts over £8k and up to £25k	Executive Headteacher
	Approval of purchase orders or contracts over £25k and up to £50k	Executive Headteacher and Trust Finance Committee
	Approval of purchase orders or contracts over £50k	Board of Trustees
7	Disposal or write-off of assets	Delegated to Trust Finance Committee
8	Write-off of debts up to £5k	Delegated to Trust Finance Committee
9	Staff redundancy payments	Delegated to Trust Pay and Personnel Committee
10	Opening of bank accounts	Delegated to Trust Finance Committee Details of signatories and limits for authorising withdrawals as detailed in bank mandates
11	Approval of Accounting Policies	Delegated to Trust Finance Committee

Date Approved: November 2020

Date of Review: November 2021