



The Liverpool Joint Catholic and
Church of England Academies Trust



Diocese of
Liverpool

Financial Regulations

Review Period	Annually
Person Responsible for Policy	Trust Director of Finance & Resources
Governing Committee	Trust Board
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1. INTRODUCTION

101 The purpose of this manual is to ensure that the 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 properly to meet the requirements of our funding agreement with the Department for Education (DfE).

102 The Trust must comply with the principles of financial control outlined in the Academies guidance published by the DfE. This manual expands on that and provides detailed information on the Trust's accounting procedures and system manual should be read by all staff involved with financial systems.

2. ORGANISATION

Independent Review of Internal Controls

207 The Trust Board has decided that the independent review of internal controls will be conducted by the external auditor throughout the year. The external auditor is appointed by the Trust Board and provides governors with an independent oversight of the Trust's financial affairs. The main duties of the external auditor are to provide the Trust Board with independent assurance that:

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

208 The external auditor will undertake a termly programme of reviews to ensure that financial transactions have been properly processed and that controls are operating as laid down by the Trust Board and Audit Committee. A report of the findings from each visit will be presented to the Audit Committee. The programme of testing to be completed by the external auditor will be agreed by the Audit Committee.

Other Staff

209 Other members of staff, primarily the Executive Headteacher (as Accounting Officer), Director of Finance and Resources, Trust Head of Finance, the Finance Officer and budget holders, will have some financial responsibilities and these are detailed in the following sections of this manual. All staff are responsible for the security of Academy property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the Academy's financial procedures.

Register of Interests

210 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/Governors and staff with significant financial or spending powers are required to declare any financial interests they have in companies or individuals from whom the Trust may purchase goods or services. The register is open to public inspection.

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

212 The existence of a register of business interests does not, of course, detract from the duties of governors and staff to declare interests whenever they are relevant to matters being discussed by the Trust Board/Governing Body or a committee. Where an interest has been declared, Trustees, governors and staff should not attend that part of any committee or other meeting.

3. ACCOUNTING SYSTEM

301 All the financial transactions of the Trust must be recorded on the HCSS accounting system. The HCSS system is operated by the Finance Department. The Head of Finance has ultimate responsibility for the HCSS system.

System Access

302 Access to the HCSS system is password restricted. The system is entirely web based and therefore password maintenance is at a user level.

303 Access to the component parts of the HCSS system can also be restricted. The Head of Finance is responsible for setting access levels for all members of staff using the system.

Back-up procedures

304 The HCSS finance system is backed up remotely by the software company's servers. Access to backups can be obtained if required.

Transaction Processing

305 All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are included in the following sections of the manual. Journals are reviewed by the Head of Finance as part of the month end procedures. Bank transactions should be input by the Finance Officer and are also reviewed by the Head of Finance as part of the month end procedures.

306 Detailed information on the operation of the HCSS system can be found in the user manuals on the HCSS website.

Transaction reports

307 The Head of Finance will obtain and review system reports to ensure that only regular transactions are posted to the accounting system. The reports obtained and reviewed will include:

- Monthly reconciliations;
- Transaction reports for a number of specific nominal codes;
- Management accounts summarising expenditure and income against budget at budget holder level.

Management accounts will be prepared on a monthly basis and be reviewed by the Trust Director of Finance and Resources. The Accounting Officer, Trustees and Local Governors will review the management accounts on at least a termly basis.

Reconciliations

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

- sales ledger control account;
- purchase ledger control account;
- payroll control account (including all relevant deductions);
- VAT control account
- Petty Cash
- all suspense accounts and
- bank balance per the nominal ledger to the bank statement.

309 Any unusual or long outstanding reconciling items must be brought to the attention of the Head of Finance. Either the Head of Finance or the Director of Finance and Resources will review and sign all reconciliations as evidence of their review.

4. FINANCIAL PLANNING

401 The Trust prepares both medium term and short-term financial plans.

402 The medium term financial plan is prepared as part of the development planning process. The development plan indicates how the Trust's educational and other objectives are going to be achieved within the expected level of resources over the next three years.

403 The development plan provides the framework for the annual budget. The budget is a detailed statement of the expected resources available to each academy within the trust and the planned use of those resources for the following year.

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

Annual Budget

405 The Director of Finance and Resources is responsible for preparing and obtaining approval for the annual budget of each academy within the Trust. The budget is reviewed and approved by both the Local Governing Bodies and the Trust board.

406 The approved indicative budget must be submitted to the DfE by 31st July each year and the Director of Finance and Resources is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.

407 The annual budget will reflect the best estimate of the resources available to the Trust for the forthcoming year and will detail how those resources are to be utilised. There should be a clear link between the development plan objectives and the budgeted utilisation of resources.

408 The budgetary planning process will incorporate the following elements:

- forecasts of the likely number of pupils to estimate the amount of DfE grant receivable;
- review of other income sources available to the Trust to assess likely level of receipts;
- review of past performance against budgets to promote an understanding of the Trust cost base;
- identification of potential efficiency savings and
- review of the main expenditure headings in light of the development plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes.

Balancing the Budget

409 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 efficiencies can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and expenditure are in balance. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need.

Finalising the Budget

410 Once the different options and scenarios have been considered, an indicative budget should be prepared by the Director of Finance and Resources for approval by Trust Board. The budget should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.

411 The budget should be seen as a working document which may need revising throughout the year as circumstances change. This will be reflected in the management accounts which will include a running forecast, incorporating any new information which has come to light, and which will be reviewed and approved by Trustees and Local Governors on at least a termly basis.

Monitoring and Review

412 Monthly reports will be prepared by the Head of Finance and reviewed by the Director of Finance and Resources. The reports will detail actual income and expenditure against budget both for budget holders and at a summary level for the Finance & Business Committee on a termly basis.

413 Any potential overspend against the budget must in the first instance be discussed with the Director of Finance and Resources. The accounting system will not allow orders to be placed against an overspent budget without the approval of the Director of Finance and Resources.

414 The monitoring process should be effective and timely in highlighting variances in the budget so that differences can be investigated and action taken where appropriate. If a budget overspend is forecast it may be appropriate to vire money from another budget or from the contingency.

5. PAYROLL

501 The main elements of the payroll system are:

- staff appointments;
- payroll administration and
- payments.

Staff Appointments

502 The Governing Body has approved a staffing structure for each academy within the Trust. Changes can only be made to the overall staffing budget with the express approval in the first instance of the Finance & Business Committee (or the Chair of the Trust and LGB) who must ensure that adequate budgetary provision exists for any establishment changes.

503 The Executive Head, Director of Finance and Resources and the Heads of School have authority to appoint staff within the authorised structure except for senior management posts whose appointments shall follow consultation with the Trust (please refer to the Staff Appointments policy). The HR and Payroll Officers within the Trust maintain personnel files for all members of staff which include contracts of employment. All personnel changes must be notified, in writing, to the Director of Finance and Resources immediately.

Payroll Administration

504 The Trust's payroll is provided by external payroll bureaus, and are administered by each Academy's HR and Payroll Officer

505 All staff are paid monthly through their academies respective payroll bureau. A master file is created for each employee which records:

- salary;
- bank account details;
- taxation status;
- personal details and
- any deductions or allowances payable.

506 Changes to these master files must be approved by the Director of Finance and Resources. These changes are reviewed as part of the monthly payroll review procedures.

507 Each member of staff is responsible for passing any complete overtime forms to the HR and Payroll Officer for processing through the payroll. Overtime forms must be authorised by either the Director of Finance and Resources of the relevant Head of School. Absence records are maintained by the HR and Payroll Officer and the HR and Payroll Officer is responsible for notifying the payroll bureau of these absences to ensure that the payroll is updated appropriately.

508 By the 6th of each month the HR and Payroll Officer will prepare and distribute a timetable for payroll processing specifying key dates for the month in question. Data input to the payroll system should be undertaken by the HR and Payroll Officer in accordance with the timetable. Before the payroll is processed a print of all data input should be obtained and this should be checked against source documentation by the HR and Payroll Officer and then reviewed by the Head of Finance.

Payments

509 After the payroll has been processed but before payments are dispatched a print of salary payments by individual and showing the amount payable in total should be obtained from the system. The print will be compared to the same print from the prior month by the HR and Payroll Officer and the Head of Finance to identify and investigate any difference. The final print must be reviewed and authorised together with authority to release payment by the Director of Finance and Resources.

510 All salary payments are made by BACS.

511 The Head of Finance should prepare a reconciliation between the current month's and the previous month's gross salary payments showing adjustments made for new appointments,

resignations, pay increases etc. This reconciliation should be reviewed by the Director of Finance and Resources.

512 The payroll system automatically calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions. The amounts payable are summarised on reports provided by the payroll systems, and all payments are made by BACs once the payroll has been authorised.

513 After the payroll has been processed the appropriate journal will be posted to the nominal ledger by the Finance Officer. The Finance Officer should complete the payroll control account reconciliations and these should be reviewed and signed by either the Director of Finance and Resources or the Head of Finance on a monthly basis.

6. PURCHASING

601 The Trust wants to achieve the best value for money from all our purchases. This means they want to get what they need in the correct quality, quantity and time at the best price possible. A large proportion of the Trust's purchases will be paid for with public funds and the Trust needs to maintain the integrity of these funds by following the general principles of:

- Probity, it must be demonstrable that there is no corruption or private gain involved in the contractual relationships of the Trust;
- Accountability, the Trust is publicly accountable for its expenditure and the conduct of its affairs;
- Fairness, that all those dealt with by the Trust are dealt with on a fair and equitable basis.

Routine Purchasing

602 Budget holders will be informed of the budget available to them at least one month before the start of the academic year. It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent. A statement detailing actual expenditure against budget is available to each budget holder using the HCSS online system. Detailed instructions regarding the use of the HCSS system can be obtained from the Finance Office.

603 Routine purchases up to £500 and within budget can be ordered by budget holders. In the first instance a supplier should be chosen from the list of approved suppliers maintained by the Finance Office on HCSS. A quote or price must always be obtained before any order is placed. If the budget holder considers that better value for money can be obtained by ordering from a supplier not on the approved supplier list the reasons for this decision must be discussed and agreed with the Head of Finance.

604 All orders must be made, or confirmed, using the online purchase ordering system. Orders must be submitted online to the Finance Assistant who will check the order to ensure it has been authorised in accordance with these regulations and submit the order to the relevant supplier. The Trust reserves the right not to pay for items ordered outside of this system.

605 The budget holder must make appropriate arrangements for the delivery of goods. On receipt the budget holder must undertake a detailed check of the goods received against the order they placed. Discrepancies should be discussed with the supplier of the goods without delay.

606 If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Finance Office should be notified. The Finance Assistant will keep a record of all goods returned to suppliers.

607 All invoices should be sent to the Finance Office. Invoice receipt will be recorded by the Finance Assistant using the online system. The budget holder and Finance Team will then be required to check the invoice using the online system and confirm the following:

- (a) invoice arithmetically correct;
- (b) invoice posted to purchase ledger;
- (c) goods/ services received;
- (d) goods/services as ordered;
- (e) prices correct;
- (f) invoice authorised for payment;
- (g) payment authorised;
- (h) VAT treated correctly and
- (i) payment made.

608 (a) and (b) will be completed by the Finance Office. The invoice will then be sent to the budget holder to complete boxes (c), (d) (e) and (f).

609 If a budget holder is pursuing a query with a supplier the Finance Department must be informed of the query and periodically kept up to date with progress. The Trust reserves the right to withhold payment of invoices not containing a purchase order number.

610 When the budget holder has completed (c), (d) (e) and (f) the invoice will be approved using the online system.

611 The Finance Assistant will then input details of payments to be made to the purchase ledger and generate the BACs file required. The BACs report and associated paperwork must be authorised by two of the nominated signatories in line with the bank mandates for each Academy. Once the documentation has been signed by two signatories the BACs payment will then be approved on the Bank's online system by, firstly, the Head of Finance and then the Director of Finance and Resources. Other signatories can also approve a BACs transaction.

Payments made by Credit Card

612 The credit cards may only be used with the express authority of the relevant card holder.

613 Purchases made using the credit cards must follow the same process as all other purchases, i.e. they are subject to exactly the same authorisation procedures as all other purchases.

614 The Head of Finance will provide guidance to staff where there is uncertainty regarding whether or not it is appropriate to use the credit card for a purchase.

Orders over £500 but less than £50,000

615 All orders over £500 but less than £50,000 are subject to approval from either the Head of Finance or the Director of Finance and Resources.

616 At least three written quotations should be obtained for all orders between £5,000 and £50,000 to identify the best source of the goods/services. Written details of quotations obtained should be prepared and retained by budget holders for audit purposes. Quotes should also be provided to the Finance Office so that these can be attached to the Purchase Order. Telephone quotes are acceptable if these are evidenced and faxed confirmation of quotes has been received before a purchase decision is made.

Orders over £50,000

617 All goods/services ordered with a value over £50,000 must be subject to formal tendering procedures. Purchases over £100,000 may fall under EU procurement rules which require advertising in the Official Journal of the European Community.

Forms of Tender

618 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 Director of Finance and Resources how best to advertise for suppliers e.g. general press, trade journals or to identify all potential suppliers and contact directly if practical.
- *Restricted Tender.* This is where suppliers are specifically invited to tender. Restricted tenders are appropriate where:
 - ♦ there is a need to maintain a balance between the contract value and administrative costs,
 - ♦ a large number of suppliers would come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the trust's requirements,
 - ♦ the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.
- *Negotiated Tender.* The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances:
 - ♦ the above methods have resulted in either no or unacceptable tenders,
 - ♦ only one or very few suppliers are available,
 - ♦ extreme urgency exists,
 - ♦ additional deliveries by the existing supplier are justified.

Preparation for Tender

619 Full consideration should be given to:

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

620 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

621 If a restricted tender is to be used then an invitation to tender must be issued. If an open tender is used an invitation to tender may be issued in response to an initial enquiry.

622 An invitation to tender should include the following:

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

Aspects to consider*Financial*

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

Technical/Suitability

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

Other Considerations

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

Tender acceptance procedures

623 The invitation to tender should state the date and time by which the completed tender document should be received by the Trust. Tenders should be submitted in plain envelopes clearly marked to indicate they contain tender documents. The envelopes should be time and

date stamped on receipt and stored in a secure place prior to tender opening. Tenders received after the submission deadline should not normally be accepted.

Tendering procedures

- 624 The evaluation process should involve at least two people. Those involved should disclose all interests, business and otherwise, that might impact upon their objectivity.
- 625 Those involved in making a decision must take care not to accept gifts or hospitality from potential suppliers that could compromise or be seen to compromise their independence.
- 626 The outcome of a tender process and the basis of the decision should be reported back to the Finance and Business Committee.
- 627 Where required by the conditions attached to a specific grant from the DfE, the department's approval must be obtained before the acceptance of a tender.
- 628 The accepted tender should be the one that is economically most advantageous to the Trust. All parties should then be informed of the decision.

Re-Tendering

- 629 Consideration should be given to putting a service out to tender 3 years after the start date of the contract. Contracts must be re-tendered after a maximum period of 5 years.

Other Payments

- 630 Any novel or contentious payments must be referred to the EFA for explicit prior authorisation. Paragraph 3.3.1 of the handbook states: *Novel payments or other transactions are those of which the academy trust has no experience, or are outside the range of normal business activity for the trust. Contentious transactions are those which might give rise to criticism of the trust by Parliament, and/or the public, and/or the media. Novel and/or contentious transactions must always be referred to EFA for explicit prior authorisation.*
- 631 The Academy trust must obtain EFA's prior approval for the following transactions beyond the delegated limits of the two categories set out below:
 - writing-off debts and losses and any uncollected fines; and
 - entering into guarantees, letters of comfort or indemnities.

Please refer to the Academies Financial Handbook for details of the delegated authorities.

7. INCOME

701 The main sources of income for the Trust are the grants from the EFA. The receipt of these sums is monitored directly by the Head of Finance and the Director of Finance and Resources who are responsible for ensuring that all grants due to the Academy are collected.

702 The Trust also obtains income from:

- The Local Authority, in the form of grant funding
- students, mainly for trips and catering, and
- the public, mainly for sports lettings.

Trips

703 All cash must be collected by Student Services. A lead teacher must be appointed for each trip to take responsibility for notifying student services of the trip and the appropriate arrangements for cash collection and recording. The lead teacher must prepare a record for each student intending to go on the trip showing the amount due. A copy of the record must be given to Student Services and the Finance Office.

704 A receipt must be issued for all monies collected by Student Services and the value of the receipt and the number of the receipt recorded against the student making the payment.

705 Student Services should maintain an up to date record for each student showing the amount paid and the amount outstanding. This record should be sent to the lead teacher on a weekly basis and the lead teacher is responsible for chasing the outstanding amounts.

Sports lettings

706 Lettings are managed by Schools Lettings Solutions. Schools Lettings Solutions will notify each Academy on a monthly basis of the amount due to the Academy.

707 The Finance Office will raise an invoice to Schools Lettings Solutions as amounts fall due, as notified by Schools Lettings Solutions.

Custody

708 All cash and cheques must be kept in the Finance Office safe prior to banking. Banking should take place every week or more frequently if the sums collected exceed the £3,000 insurance limit on the Finance Office safe.

8. CASH MANAGEMENT

Bank Accounts

801 The opening of all accounts must be authorised by the Director of Finance and Resources who must set out the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. The operation of systems such as Bankers Automatic Clearing System (BACS) and other means of electronic transfer of funds must also be subject to the same level of control.

Deposits

802 Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. In order to maintain effective segregation of duties, cash deposits should be counted by a second member of the finance team, cross referenced to the completed paying-in slip, and a paying in sheet countersigned by the second staff member. 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.

Payments and withdrawals

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

- Executive Head;
- Head of School;
- Director of Finance and Resources;
- Head of Finance;

804 This provision applies to all accounts, public or private, operated by or on behalf of the Trust, or individual academies within the trust.

Administration

805 The Head of Finance must ensure bank statements are received regularly and that reconciliations are performed at least on a monthly basis by the Finance Officer. Reconciliation procedures must ensure that:

- all bank accounts are reconciled to the relevant Academy's cash book;
- reconciliations are prepared by the Finance Officer;
- reconciliations are subject to an independent monthly review carried out by either the Head of Finance or the Director of Finance and Resources and
- Adjustments arising are dealt with promptly.

Petty Cash Accounts

806 Each Academy maintains a maximum cash balance of £3,000. The cash is administered by the Finance Officer and is kept in the Finance office safe.

Deposits

807 The only deposits to petty cash should be from cheques cashed specifically for the purpose. The receipt should be recorded in the petty cash system with the date, amount and a reference, normally the cheque number, relating to the payment. All other cash receipts for whatever reason should be paid directly into the bank.

Payments and withdrawals

808 In the interests of security, petty cash payments will be limited to £50. Higher value payments should be made by cheque or BACS directly from the main bank account as a cash book payment.

Administration

809 The Finance Officer is responsible for entering all transactions into the petty cash records on a regular basis. Regular, unannounced cash counts should be undertaken by the Head of Finance to ensure that the cash balance reconciles to supporting documentation.

Physical Security

810 Petty cash should be held in a locking cash box which is put in the safe overnight.

Cash Flow Forecasts

811 The Director of Finance and Resources is responsible for preparing cash flow forecasts to ensure that each Academy 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. Similarly plans should be made to transfer funds from another bank account or to re-profile spending to cover potential cash shortages.

Investments

812 Investments must be made only in accordance with written procedures approved by the Trust Board.

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

9. FIXED ASSETS

Refer to the Asset Control Policy.