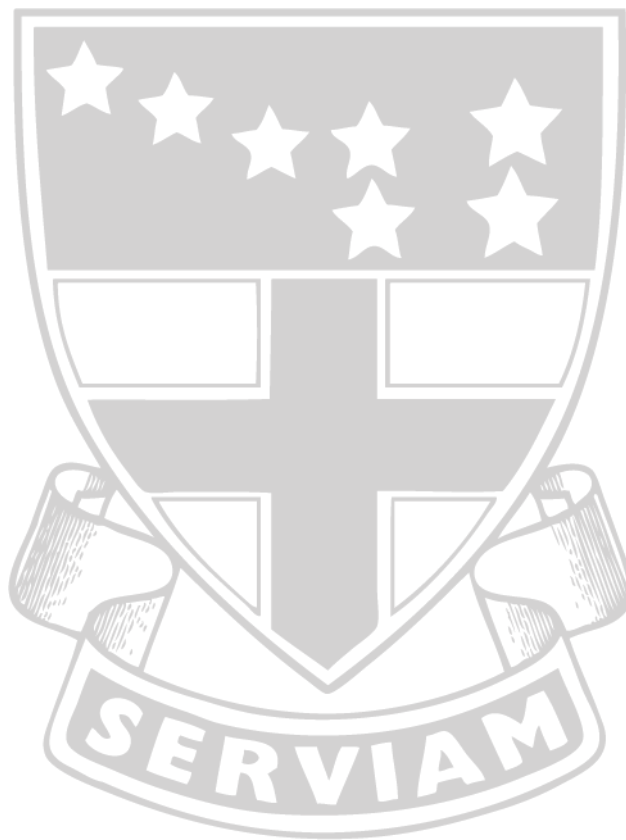


## **FINANCIAL MANAGEMENT POLICY**



**Date Approved: October 2019**

**Date Reviewed: July 2020**

**Date of Next Review: July 2022**

## **I Introduction**

The Governors are committed to ensuring that sound financial controls are in place and adhered to, in order to achieve value for money and to be worthy custodians of public money. To achieve these aims the Head Teacher and the Governing Board have drawn up this Finance Policy to provide the guiding principles within which all Governors and staff will operate.

This Policy has been drawn up in accordance with the London Borough of Newham's (LA) Scheme for Financing Schools, which should be used in conjunction with this policy and referred to for further guidance and clarification.

This Policy will be reviewed annually, presented to and agreed by the Governing Board.

## **2 Principles**

**2.1** The responsibilities of the Governing Board, its committees, the Head Teacher and staff will be clearly defined and limits of delegated authority established, where applicable. Pecuniary interests are declared and a register of these maintained.

The ***Governing Board*** is responsible for taking steps to ensure that expenditure reflects best value principles. This is done by;

- Using both performance data and financial benchmarking to *compare* to similar schools locally and nationally.
- Using the information gained to *challenge* performance and set new targets
- Using fair *competition* through quotations and tenders, ensuring resources and contracts for services are secured in the most economic, efficient and effective way
- *Consulting* parents on policy development and major changes in the use of resources

**2.2** The school will establish sound internal financial controls, based on the LA's Financial Controls, to ensure the reliability and accuracy of its financial transactions.

**2.3** The budget will reflect the school's prioritised educational objectives through its links to the School Development / Improvement Plan, which indicates the resource implications of each priority.

**2.4** The budget will be subject to effective monitoring, allowing the Governors, Head Teacher and staff to maintain financial control by reviewing the current position and taking any remedial action necessary.

**2.5** The school will be adequately insured against exposure to risk.

**2.6** The school will ensure that:

- The Budget Share is spent for the purpose of the school only
- Purchasing arrangements achieve value for money

**2.7** There are sound procedures for the administration of personnel matters

- 2.8 There are sound procedures for the administration of payroll matters
- 2.9 Stocks, stores and assets are recorded and adequately safeguarded against loss or theft
- 2.10 All income received and due is identified and all collections receipted, recorded and banked promptly
- 2.11 The operation of the bank account and the reconciliation of bank balances with the accounting records are properly controlled
- 2.12 The use of petty cash is strictly controlled (if applicable)
- 2.13 The use of a Procurement Card is strictly controlled (if applicable)
- 2.14 The School Voluntary Fund and any other non-public funds are administered as rigorously as public funds and subject in independent review / external audit as appropriate
- 2.15 Any suspected financial/ record keeping irregularity will be reported immediately to the Head Teacher and Governing Board
- 2.16 The school will adhere to current GDPR and Data Protection legislation
- 2.17 Appropriate training in financial administration will be given to enable staff cover at all times.

### 3 Putting Policy into Practice

#### 3.1 Delegated Authority

The Finance Policy and Scheme of Delegation ensures that no one individual has the authority to perform an entire process where school delegated funds are involved. All staff are made aware of the delegated powers that they have been given.

The **Full Governing Board** has overall responsibility for the management of all of the school's finances covering the revenue budget, other budgets delegated or devolved by the LA and other funds (e.g. the School Voluntary Fund).

The **Finance Committee** is delegated responsibility by the Full Governing Board for the following aspects of financial management;

- Evaluate and recommend the annual budget plan, which shows clear links to the School Development/Improvement Plan, for approval by the Full Governing Board
- To monitor the actual income and expenditure and forecasts against the agreed budget and report to the Full Governing Board, highlighting any significant variances
- Evaluate any proposed virements (if applicable)
- To review the Finance Policy and agree levels of delegation for approval by the Full Governing Board
- To review a Pay Policy for approval by the Full Governing Board
- To make decisions in respect of service agreements and insurance

- Evaluate and report on Tenders for Contract Services to the Full Governing Board
- Benchmark the school's financial performance and report to the Full Governing Board
- To advise the Full Governing Board of any consultations to change the LA Scheme for Financing Schools, to allow the school to respond to any consultation

The **Head Teacher** is responsible for implementing the decisions of the Governing Board and for the operational management of the school:

- Advising the Governing Board on the school budget
- Ensuring the Governing Board is provided with relevant and timely information for them to discharge their duties
- Alerting or informing the Governing Board of any matters considered relevant
- Ensuring all financial matters are undertaken in compliance with financial regulations and guidance
- Managing the day to day budget in line with the expectations of the Finance Committee
- Ensuring all financial returns are completed and submitted within the required time scales
- The Head Teacher delegates the day to day activities of financial management to the School Business Manager and other key personnel within the school.

### **3.1.1 Pecuniary and Non-Pecuniary Interests**

It is the responsibility of the Head Teacher and the Governing Board to ensure that staff and governors do not directly or indirectly benefit financially when spending public money.

An interest (both business and personal) is anything that might influence a governor/head teacher to take into account some factor other than the interests of the schools and can be divided into pecuniary and non-pecuniary.

Pecuniary interests are those where an item under discussion may have a financial benefit to the individual governor/head teacher or their spouse, partner or close family member.

Non-pecuniary interests can be defined as any factor that would cause an intelligent observer to think that the judgment of a governor/head teacher is biased.

A register of pecuniary and non-pecuniary interests is maintained by the school, and staff and governors are required to disclose any interest as soon as they are aware of the link and complete the declaration.

Irrespective of whether they have an interest, all members of the Governing Board, senior members of staff and other staff involved in the financial management of the school should complete a declaration annually.

Declaration of pecuniary interests are an agenda item on each Committee / Board meeting to afford officers and governors the opportunity to declare such interests.

### **3.2 Internal Financial Controls**

The internal financial controls operated by the school follow the financial controls set out in the LA's Scheme for Financing Schools.

Staff are properly trained in the schools financial systems and procedures, and a review of training needs is conducted annually.

There are cover arrangements in place for key financial staff and management. These arrangements include the performance of key tasks and the transfer of responsibility during the period of cover.

Transactional control is supported by systems that include the segregation of duties wherever possible:

- At least two people are involved in the ordering of goods and that one provides a check for the other.
- The duty of calculating, checking and recording of money is separated from duty of collecting and paying out money.
- Any annotations to original documents are made in permanent form. The use of correcting fluid and the erasure of information is not permitted. Any notes or amendments are properly and clearly initialled and dated.
- A complete audit trail should be maintained. All financial transactions are traceable from the original documentation to accounting records both at school and local authority level and vice versa with all checks being carried out on documents being recorded.
- Financial records are kept properly and securely in accordance with the requirements of the LA regulations.

The LA conducts the programme of Internal Audit. Audit reports are reviewed by the *Governing Board*, which ensures that recommendations are implemented.

The *Governing Board* also ensures the Schools Financial Value Standard (SFVS) is reviewed each year and the chair of governors will sign the completed form prior to sending a copy to the Local Authority. The agreed action plan will be monitored and reviewed.

### **3.3 Information Management**

Access to financial and operational systems is carefully controlled, and updated for changes to personnel. Data is held in compliance with the DfE guidance on safeguarding children.

Passwords are changed regularly and only known to the password holder.

The school has an Emergency Plan in place that ensures data is held securely for the requisite number of years. It is recognised that all data needs to be backed up and held off-site. The company which manages the stored data complies with the Data Protection Act 2018 has clear guidelines on how data should be stored and transmitted and adheres to the current European Economic Area (EEA) guidelines.

### 3.4 Financial Links to the School Improvement Plan

The school budget is drawn up based on the School Development Plan, the Head Teacher and Governing Board review cost implications of the plan prior to budget setting.

### 3.5 Monitoring and Virements

The school recognises that the regular monitoring of income and expenditure against the agreed budget is central to effective financial management. To this end, the Head Teacher carries out monthly monitoring of the budget and cashflow. A monitoring report is taken to all meetings of the Finance Committee which reports, if required, to the Full Governing Board.

Monitoring reports are submitted to the LA in accordance with its timetable. Governors ensure their meetings are timed to see all monitoring submitted to the LA either prior to submission or soon after. This ensures they have an up-to-date position of the school's finances.

On occasions, virements (transfers between budgets) may need to be carried out. Virements to the approved budget are minuted appropriately and require the following authorisation:

Limits	Authority
Up to £5,000	The Head Teacher, reported to the Finance Committee
From £5,000 to £15,000	The Finance Committee
Over £15,000	The Full Governing Board

Virements between capital and revenue, or from ring-fenced grants are not allowed.

### 3.6 Insurance

The Head Teacher is responsible for:

- Notifying the insurers of any new risks (new property, equipment).
- Maintaining an asset register which is checked by officers and presented to GB annually.
- Ensuring that contracts with third parties include adequate indemnity clauses.
- Ensuring that an indemnity is not given to any third party without the written consent of the insurers.
- Informing the insurance team immediately of all relevant matters (losses or other incidents).
- Ensuring that cover includes school property (such as musical instruments and computers) when off the premises.
- Maintaining a check to ensure that claims are processed within the required period.

- Ensuring that the police are informed of all claims where this is a requirement of the insurance.

### **3.7 Purchasing**

The school follows the purchasing guidelines as documented in the LA's Financial Regulations, Contract Standing Orders and Scheme for Financing Schools.

Budgets are discussed and delegated to Senior and Middle Leaders (outlined in Appendix 1). The budget is reviewed, amended as appropriate and approved by the Head Teacher, in line with the priority needs of the school and the School Development Plan.

#### **3.7.1 Purchase Orders**

Purchase orders are raised for all goods, services and works, prior to or at the point of placing an order, except in the case of utility bills and in emergencies. This ensures that the estimated cost is committed against the appropriate budget allocation so that it features in subsequent budget monitoring.

The order is completed and signed by the budget holder before being passed to the Finance Office. The School Business Manager / Senior Finance Officer authorises the order, checking that the order is for educational purposes, there are sufficient funds to pay for the purchase and that appropriate quotations have been obtained. Once authorised, a copy of the order must be retained for matching at a later date with the delivery note and invoice.

#### **3.7.2 Receipting of goods**

A member of staff other than the signatory of the order checks goods and services on receipt against the order to ensure that the order has been satisfactorily fulfilled. The carrier/supplier is notified promptly of any shortages or rejected items.

The delivery note, if present, is clearly signed by the receiving member of staff. Where a delivery note is not present, the invoice is clearly annotated and signed to evidence satisfactory delivery.

In respect of building and other services, the invoice is clearly annotated to confirm that works or services have been checked, and they have been undertaken as directed.

If the goods purchased are not consumables, but of an inventory nature, they are recorded on the inventory on receipt and security marked.

### 3.7.3 Payments

Before payment is made, checks are undertaken to confirm:

- Satisfactory receipt of goods or services, cross-referenced to the order number;
- Expenditure has been properly incurred for the educational purpose of the school;
- Prices accord with quotations, tenders, contracts or catalogue prices and arithmetic is correct;
- The invoice has the correct VAT on, and VAT is accounted for correctly in the accounts
- The invoice is correctly coded in accordance with the requirements of Consistent Financial Reporting;
- Discounts are taken where available;
- The invoice has not previously been passed for payment;
- The invoice is signed to confirm authorisation for payment: and
- Appropriate entries have been made in inventories and stock records

In summary:

<b>Task</b>	<b>Authority</b>
<i>Requisition Form</i>	<i>Budget Holder</i>
<i>Purchase order raised</i>	<i>Finance Officer</i>
<i>Purchase order approved</i>	<i>Budget Holder</i>
<i>Goods / services ordered</i>	<i>Finance Officer</i>
<i>Goods receipted</i>	<i>Budget Holder</i>
<i>Invoice checked</i>	<i>Senior Finance Officer</i>
<i>BACS / cheque authorised</i>	<i>Head Teacher plus one other on the mandate</i>



The following thresholds are adhered to, in accordance with the LA's thresholds:

<b>Limits</b>	<b>Authority</b>
Up to £4,999	1 quote (recorded in writing), Head Teacher or designated deputy approval
From £5,000 to £24,999	2 quotes (recorded in writing), Head Teacher or designated deputy approval
From £25,000 to £99,999	3 written quotes, Head Teacher plus one other approval
£100,000 to £181,302	Min tender, Governing Board approval
Above £181,302 & EU rules apply	Full EU advertised competitive tender process, Governing Board approval
Above £181,302 & EU rules do not apply	Full advertised 2 stage competitive tender process, Governing Board approval

All of the above will be minuted at the appropriate committee / Governing Board meeting to ensure that the School is seen to be obtaining value for money at all times. Further details are at Appendix 2.

The school will only enter into an Operating Lease with the prior approval of the LA, and takes professional advice when needed.

The school does not enter into any Hire Purchase agreements, Finance agreements or Finance Leases as this constitutes borrowing which is not permitted.

### **3.8 Personnel Matters**

Each year the Head Teacher arranges for the calculation of the salary costs of all members of staff, including increments where applicable. These details are used by the Finance Committee for incorporation into the school budget planning process.

The *Finance Committee* undertakes an annual review of the Head Teacher's salary, and recommends to the Full Governing Board for approval.

The Head Teacher undertakes an annual review of all other staff, in accordance with the Governors' Pay Policy and reports to the Full Governing Board.

Details of all salaries are recorded as a confidential item.

### **3.9 Payroll Matters**

The school has a contract with **Strictly Education Limited**, which provides payroll services which meets all relevant legislation and has been approved by the LA.

The Head Teacher, or designated deputy, signs off the monthly payroll reports once they have been checked for accuracy.

The payroll provider will provide monthly reports which will be checked for accuracy by the finance team including:

- All staff are confirmed as employees of the school
- Claims for expenses and overtime are supported by authorised claim forms signed by the individual making the claim and the Head Teacher (or Chair of Governors in the case of Head Teacher claims). Expenses are claimed within 3 months of the expenditure.
- Any increments or pay awards are supported by the appropriate authorised paperwork
- The direct debit amount matches the payroll run every month
- The payroll run is compared to the salary budget, and any variations are investigated and confirmed for accuracy
- The budget monitoring and cashflow monitoring are updated for variations above 5%

The Head Teacher is responsible for ensuring that the statutory obligations around the safe recruitment process are administered and the **Office & HR Manager** will be responsible for maintaining accurate records of all staff employed by the school in a single central record.

The employment status of all contracted workers is checked in accordance with employed / self-employed (IR35) requirements.

### **3.10 Safeguard of Stores and Assets**

All staff are responsible for the security of school assets.

Items of value are held in a locked cupboard/cabinet, wherever possible, and all items are visibly security marked to deter theft.

The school maintains an Inventory Register, (to include description of item, date of purchase, value, location, serial number etc) which is reviewed and physically checked annually by finance staff, who are independent from the officer who maintains it.

Where assets are written off and disposed of (in line with the LA's Financial Regulations), the Finance Committee agrees this on behalf of the Full Governing Board and the agreement is minuted. Items no longer needed may be sold with agreement from the Full Governing Board. Where school assets are loaned to staff or pupils, a loans book is completed and signed when borrowing the item and again when the item is returned.

### 3.11 Income

All income received is recorded on the financial information system. Cash will be receipted, recorded and banked promptly **via a monthly cash collection service by Contract Security.**

The school uses ParentPay for payments received for school visits, school meals etc to minimise the amount of cash handling on site.

The agreed level of cash to be held in each safe is **£3,000.**

The Lettings Policy and schedule of charges is reviewed annually and approved by the Governing Board.

#### 3.11.1 Bad Debts

The school may choose to write off a debt where all reasonable avenues to recover the debt have been exhausted, where it is not cost effective to pursue the debt through legal action, or there are extenuating circumstances.

Where debts are required to be written off, after every effort has been made by the Head Teacher and Governors to recoup the monies, the following thresholds apply:

<b>Limits</b>	<b>Authority</b>
<i>Up to £100</i>	Head Teacher
<i>Between £100 and £500</i>	The Finance Committee
<i>Between £500 and £1,000</i>	The Full Governing Board
<i>Above £1,000</i>	The Full Governing Board

Significant disposals are reported to the Finance Committee.

### 3.12 The School Bank Account

The school operates its school bank account(s) in accordance with the regulations in the LA's Scheme for Financing Schools. The school holds the following bank accounts:

**Lloyds - St Angela's Ursuline School**

Bank account signatories are updated immediately when there is a change in staffing.

The school pays invoices via online banking / BACS and/or cheque ensuring it adheres to all financial controls within the LA's Scheme for Financing Schools and Financial Regulations and all cheques / BACS runs are signed by two signatories.

### **3.12.1 BACS payments**

To minimise the risk of errors or fraud, the following processes are in place for BACS payments:

#### **Supplier details:**

- The finance assistant is responsible for checking and maintaining the list of supplier bank details. They are not involved in the payment process or preparing the BACS upload files
- Suppliers provide their bank details in writing, preferably on their invoices
- Once this is received, the school phones the business to confirm the bank details
- The letter from the business is signed and dated by the school to confirm the bank details have been checked
- If the business tells the school that their bank details (or any other details i.e. address) have changed, the school always ask for this in writing and follow up with a phone call (identical to new supplier checks)
- The supplier bank details file is stored securely, with restricted access, separately from Smart cards and PINS
- The entered bank details on FMS are checked to the supplier details file by a member of staff who is not involved in the payment process and the entry of supplier details
- The person performing the check certifies each entry in the supplier details file, as evidence that this check has been completed

#### **Access to Smart Cards & PINS**

- Smart cards and PINS are issued to approved authorisers and are only used by the person they are issued to
- PINS are never be shared
- Smart cards and PINS are not stored together

#### **Checking and authorising the upload**

- The BACS run report is run and printed
- An authoriser (not involved in the payment process) checks individual transactions to the invoices and other supporting documentation to confirm that payments have been authorised, are for the correct amount and will be made to the correct supplier
- The authoriser performing the checks signs the report to confirm that checks have been completed
- The audit trail report is run and printed from the day before the last BACS run to the current date.
- An authoriser (not involved in the payment process) reviews the report, which will show any changes that have been made to the supplier accounts

- The Head Teacher signs and dates the file (already checked and signed by the first authoriser) to confirm that they are satisfied that sufficient checks have been completed.
- The authoriser and the Head Teacher then authorises the batch online
- The signed reports are filed with the paid invoices

### **3.12.2 Direct Debits**

The school may set up direct debits against the school bank account (e.g. for payroll) with agreement from the Governing Board

A copy of the signed direct debit mandate or email authorisation is retained, so as to evidence that two authorised signatories were party to the agreement.

A valid VAT invoice, where applicable, is always obtained to support the direct debit payment, and any VAT relating to direct debits is claimed as necessary.

Direct Debits are reconciled each month, and reviewed annually.

### **3.12.3 Bank Reconciliations**

Bank statements are received/printed out on at least a monthly basis and reconciled in accordance with LA guidelines. The Senior Finance Officer signs and dates the bank statement and reconciliation as soon as possible after the reconciliation has been checked. Copies of the reconciliation are sent to the LA monthly.

### **3.13 Petty Cash**

Petty Cash is held securely (in a locked in a safe) at all times and the limit for petty cash is £200. Petty cash transactions are kept to a minimum and the maximum value of any one transaction is £50. All staff complete and sign a claim form with the relevant receipt attached, authorised by the Head Teacher or designated deputy prior to payment. Staff should sign and date the claim form on receipt of the reimbursement.

### **3.14 Purchasing Cards**

The school has a purchasing card under the LA banking arrangements, which is used by the named individual on the card in accordance with procedures issued by the LA. All transactions are logged and receipts / invoices reviewed and authorised. The card balance is fully paid each month and the card statement reconciled on a monthly basis. The reconciliation is completed by someone other than the card holder, and approved and signed by the School Business Manager.

Personal credit / debit cards will not be used for the purchase of items for the school.

### **3.15 The Voluntary Fund**

The school operates a voluntary fund which has its own bank accounts, kept separate to the main school bank account.

Delegated funds, held in the main school bank account, should not be transferred to the voluntary fund account.

All controls described in this Finance Policy also apply to the Voluntary Fund.

An independent and appropriately qualified person, approved by the Governing Board, audits the fund accounts annually, and a report is presented to the Finance Committee.

Any suspected irregularities are reported to the Governing Board immediately.

### **3.16 Irregularities**

All staff are aware of the LA's Whistleblowing arrangements and to whom they should report concerns. [A copy of the policy is available in the Policies folder on Google Drive.](#)

The school has a hospitality and gifts register for staff and governors to record all hospitality and gifts received.

### **3.17 Data Protection**

The school adheres to the GDPR and the Data Protection Act 2018 including paying a data protection fee to the Information Commissioners Office (ICO).

### **3.18 Financial Administration**

3 members of staff are trained in the use of the finance software and financial administration procedures, in the event of staff absence.

## Appendix I - Financial Administration

3 members of staff are trained in the use of the finance software and financial administration procedures

Activity	Detailed Task	Responsibility
<b>Placing orders</b>	Requisition orders (must be filled in fully otherwise will be returned to the department for completion)	HODs and any other members of staff
	Responsible for agreeing on requisition orders within limit of account budget (the budget will be checked before any order will be placed in the system)	HOD's & Headteacher
	Responsible for placing official orders in the system	Finance Assistant & Finance Officer
	Responsible for authorizing & printing orders in the system	Finance Officer
	Responsible for signing orders after they have been printed off	HOD's & Headteacher
	Responsible for sending orders out to suppliers after they had been checked & signed	Finance Assistant & Finance Officer
<b>Deliveries</b>	Responsible for checking delivery against order	Finance Assistant & HOD
	Responsible for returning and/or exchanging goods in case of errors	Finance Assistant & Finance Officer
<b>Invoices and payments</b>	Responsible for processing invoices in the system	Finance Assistant & Finance Officer
	Responsible for authorizing invoices	Business Manager & Finance Officer
	Responsible for printing cheques after checking the authorized invoices	Finance Officer
	Authorised signatures on cheques & Bacs (2 signatures minimum)	<b>Mark Johnson</b> , Headteacher & authorised persons: <b>Andrew Whitlock</b> – School Business Manager <b>Sarah Siaw</b> – Deputy Headteacher

## Appendix 2 - Financial Threshold Summary

Limits	Authority	Decision By
Less than £4,999	<b>One quote (record in writing)</b>	Executive Headteacher or staff member with appropriate authority
£5,000 - £24,999	<b>Two quotes (record in writing)</b>	Executive Headteacher or staff member with appropriate authority
£25,000 - £99,999	<b>Three written quotes</b>	Two post holders with appropriate authority, one being at least the Executive Headteacher & Chair of Governors at Finance Committee Headteacher & Chair of Governors at Finance Committee Headteacher. This is undertaken at committee level. Headteacher & Chair of Governors at Finance Committee
£100,000 - £181,302	<b>1 Stage Tender (3 Tenders)</b> Competitive tender without prior advert against written spec. of requirements	Headteacher & Chair of Governors at full Governing Body meeting
Above £181,302 and EU rules apply	<b>Full EU advertised competitive tender process</b> <b>3 Tenders</b>	A Project team reporting to the Chair of Governors at Full Governing Body and including appropriate specialists e.g. legal finance, procurement, health & safety
Above £181,302 and EU rules do not apply	<b>Full advertised 2-stage competitive process</b> <b>3 Tenders</b>	A Project team reporting to the Chair of Governors at Full Governing Body and including appropriate specialists e.g. legal, finance, procurement, health & safety

1. Values exclude VAT
2. Values are TOTAL values (NOT annual values e.g. 2 years at £10,000 per annum is £20,000, which requires 2 written quotations).
3. Contracts over £100,000 must be executed under seal.
4. Requirements are MINIMUM requirements. E.g. to obtain three written quotes, you may need to seek 5 or 6. In appropriate cases to demonstrate value for money you may consider following the procedure for a higher value contract.
5. Values are to be aggregated e.g. if you have a recurring need on an annual basis for supplies.
6. It is a breach of Contract Procedure Rules to deliberately divide up contracts to avoid these rules.
7. Make a reasonably accurate estimate of the total purchasing requirement/whole life costing/financial implications, e.g. including ongoing maintenance and support costs. If variable factors are such that an accurate estimate cannot be made then further information should be acquired before starting the procurement process.



8. The valuation should include the value of possible contract extensions and possible additional options.
9. You must have adequate budget provision.

**Appendix 3 - Purchase Card Transaction Log**

