

# Financial Procedures

TEAM Education Trust



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<b>Associated Policies &amp; Documents</b>	Procurement policy Financial Scheme of Delegation Charges & Remissions Policy Families Trust Handbook	

## Version History

Version	Date	Detail	Author
1	08.12.20	Original Policy	
2	13.05.21	This policy has been reviewed by Keystone, no amendments required	SBA
3	25.06.21	Purchasing level added – section 10	SM (Keystone)
4	13.11.21	Amend points 2.6, 6.2, 6.6, 7.5 & 14.3 (Approved by Trustees 30.11.21)	NCO
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## 1. Introduction

This policy applies to all employees, Trustees and the local Governors within the Academies and Central team, collectively known as T.E.A.M. Education Trust. This policy is to be reviewed annually following the release of the updated Academy Trust Handbook (usually September).

The purpose of this document 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 Secretary of State for Education, through the Education and Skills Funding Agency (ESFA).

The Trust must comply with the principles of financial control outlined in the Academy Trust Handbook. This manual expands on that and provides detailed information on the Trust's accounting procedures and controls. This document should be read by all staff involved with financial systems and compliance with these systems and controls is compulsory for all staff within the Trust. A member of staff who fails to comply may be subject to disciplinary action under the Trust's disciplinary policy. It is the responsibility of Heads of schools to ensure that staff are made aware of the existence of these procedures.

The purpose of these financial regulations is to provide control over the totality of the Trust's resources and provide management with assurances that the resources are being properly applied and that objectives are being achieved, including;

- Maintain financial sustainability
- Fulfilling its responsibility for the provision of effective financial controls over the use of public funds
- Safeguarding the assets of the Trust
- Ensuring that the Trust complies with relevant legislation
- Achieving value for money

The Board is responsible for maintaining a continuous review of the financial regulations, through the Chief Finance Officer (CFO), who will advise the Trustees of T.E.A.M. Education Trust of any additions or necessary changes.

In exceptional circumstances, the Board may authorise a departure from the Financial Procedures, such departure would be documented and detailed reasons given.

## 2. Financial planning and control

The Chief Financial Officer (CFO) is responsible for preparing annually a three year budget for review with the school Principals.

The budgetary planning process will incorporate the following elements:

- Forecasts of the likely number of pupils to estimate the amount of General Annual Grant to be received
- The latest estimate of other ESFA funding e.g. pupil premium, PE grant etc.
- Review of other income sources available to the Academy to assess likely level of receipts, e.g. rental income.
- Review of past performance against budgets
- Identification of potential efficiency savings
- Review of the main expenditure headings in light of the funds held by each school and the expected variations which may result in a deficit
- All carry forward balances reviewed

- Any unspent grants from the previous financial year and the likelihood of these being spent in the current year (ensuring they are shown as a separate restricted fund).

The budget should also include cash flow forecasts for the year to ensure cash management is effective and well controlled. The forecasts shall be prepared and monitored in tandem with the three year budget to ensure they correlate and monitoring is effective.

Each school budget and forecasts is then reviewed by the Chief Executive Officer. the Chief Finance Officer (CFO) consolidates the budget to be approved by the Trustees of T.E.A.M. Education Trust prior to submission to the ESFA.

The control of income and expenditure within an agreed budget is the responsibility of the Chief Executive Officer, who delegates responsibility to the Chief Finance Officer. The financial results will be reported on in comparison to budget throughout the financial year. A report will be prepared monthly by the Chief Finance Officer, on the financial performance of the Schools and the Trust as a whole and this will be communicated to the Trustees, the School Principal and Local Governing Body (LGB).

Each school within the Trust contributes a minimum of 6.5% (7% for multiple site schools) of their GAG income to the Academy's Central Fund, which is managed by the Chief Finance Officer. The Trustees decide how the funding is distributed and is used, in part, to fund centralised services such as legal, HR, accountancy and audit fees etc. as well as the salaries of the Central Team. Any surplus balance at the end of the year is carried forward and the fund is reported in the statutory year end accounts, which is subject to external audit.

### **3. Independent checking procedures**

The Board of Trustees have established a 'strategic, finance, audit and risk ' committee who meet once a term, or more frequently if necessary. The committee is responsible for monitoring and making recommendations to the Board of Trustees on matters related to financial planning, the annual accounts and systems and the audit.

The Board of Trustees have appointed an External Auditor to provide assurance over the financial statements prepared and the regularity operating within the Trust.

The Trust will appoint an external company to provide an internal audit service to ensure that the Trust's financial planning is robust, the systems and controls within the Trust are appropriate and all policies and procedures have been appropriately complied with by all of the schools.

The CEO reviews the following documents termly to ensure the Trust is working within the boundaries of regularity and propriety:

- Management accounts of the Trust, which are analysed by School
- Value for money practice
- Transactions for evidence of connected party transactions

The CEO has delegated the following responsibilities to the CFO:

- Compliance against the Scheme of Delegation
- Adherence to tendering policies
- Review of transactions confirming in line with delegated authorities as set out by the Academy Trust Handbook

## 4. Annual accounts

The Academy Trust must prepare annual audited financial statements for the accounting period to 31 August.

The consolidated final accounts will be prepared by the external auditors and the Chief Finance Officer.

The accounts are then submitted as follows:

- By 31 December to the ESFA.
- By 31 January then will be published on the Trust website.
- By 31 May to Companies House.

As part of the annual accounts, the Trust must include 3 focused examples of how they have achieved value for money. The Chief Finance Officer is responsible for collating the examples which are then confirmed by the Strategic, Finance, Audit and Risk committee.

External auditors must be appointed in accordance with the Academy Trust Handbook and the Chief Finance Officer is responsible for managing the audit process, by liaising with the auditor's, arranging the timetable for accounts and audit completion and ensuring deadlines are met.

During the accounting period, the Chief Finance Officer is responsible for the following tasks to ensure a smooth audit process:

- Reviewing the structure of the trial balance.
- Maintaining a fixed asset register.
- Monthly depreciation charges.
- Maintaining income and expenditure records, including the filing of invoices and remittances.
- Reviewing aged debtors for any provisions required.
- Maintaining a record of Governors and Trustees interest, related and connected party transactions.
- Control account reconciliations (bank, wages, debtors and creditors).
- Maintaining a record of meeting attendance.
- Preparing monthly management accounts, with key performance indicators to review the results.
- Monitoring and reporting to the CEO and Board of Trustees.

The Chief Finance Officer is responsible for the following tasks to be undertaken at year end to facilitate a smooth audit process:

- Stock take including a year-end stock value, with provisions if necessary.
- Prepayments for any expenditure paid in advance of the following accounting period.
- Deferred or accrued income provisions for grants received in the year that relate to another accounting period, or income that should be recognised but has not yet been received.
- Control account reconciliations (bank, wages, debtors and creditors).
- Close down of the purchase and sales ledgers.
- Pension valuations and figures entered into the annual accounts.

The Academy Trust must prepare an annual accounts return for the accounting period to 31 August, which is then to be submitted to the ESFA by the given deadline. The accounts return is to be prepared by the External Auditors / Chief Finance Officer.

The Chief Finance Officer is responsible for advising Heads of Schools on all taxation issues, in the light of guidance issued by the appropriate bodies and relevant legislation as it applies to the Trust. Therefore the CFO will issue instructions to departments on compliance with statutory requirements including those concerning VAT, PAYE, National Insurance, Corporation Tax and Import Duty. The CFO is responsible for maintaining the Trust's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date, as appropriate.

## 5. Accounting system

All of the financial transactions of the Trust must be recorded into the Trust's computerised financial information accounting system. This system is operated by the Chief Finance Officer, the Central Finance Team and the School Business Officers.

The Trust's accounting system is computerised. Access to the system is restricted to the Trust's employees and those authorised by the Accounting Officer / CFO. The system is accessed by passwords, which are changed routinely. Passwords are only known by the relevant member of staff and are changed immediately if an employee is aware that an unauthorised person has learnt their password. If an outside provider uses the accounting system, they are given their own user ID and password.

Software is installed on the Trust's computer systems to detect viruses, spyware and other malicious threats. Regular updates are used to ensure that the latest threats are detected. There is also a facility for cleaning up infected files.

The Academy complies with the GDPR requirements and access for staff who are no longer at the Trust are removed as soon as the staff member leaves.

All accounting records including invoices, delivery notes, bank statements etc. are retained for six years after the end of the accounting period they relate to.

Regular back up procedures are performed on the system to ensure the data is secure.

All transactions inputted into the accounting system must be authorised in accordance with the Scheme of Delegation.

All journal entries are documented electronically within the finance software and only processed by the CFO or central finance team.

Bank reconciliations are reviewed by the CFO before being approved in the monthly management accounts.

## 6. Cash management

The following procedures must be followed when opening a bank account and operating it:

- The Trust is responsible for selecting the banking institution and negotiating the terms and conditions.
- The Trustees must authorise the opening of all bank accounts and the signatories on each.
- The Trust will ensure that in the event of changes to key personnel or Trustees, signatories will be changed immediately and the bank notified.  
Any online access to banking will also be removed.

- Terms of arrangements, including cheque signatories or BACS authorisations and the operation of the accounts must be formally recorded and agreement minuted.
- The Trust must ensure there are sufficient funds to cover large payments.

A receipt should be obtained from the bank for any deposit made. The following information should be noted on it, a date and an adequate description of what the funds are in relation to. The Chief Finance Officer is responsible for ensuring the accounting system is updated.

All payments, withdrawals and bank transfers must be made in accordance with the bank mandate and authorised signatories must not sign off a payment for which they have also given authorisation for the expenditure as this is not in line with the Scheme of Delegation and does not operate effective segregation of duties.

The Chief Finance Officer must ensure that bank statements are received or downloaded from the online portal regularly and that reconciliations are performed at least on a monthly basis.

The Trust operates a cashless system and petty cash should not be held by any school within the Trust. If cash is received it should be deposited into the bank account at the earliest opportunity. When cash is received, another member of staff should be present to confirm the amount received.

The Trust multi pay cards must only be used for business expenditure, and balances cleared before interest accrues, as per 5.33 of the Academy Trust Handbook.

On receipt of an invoice, the central finance team, in accordance with the Scheme of Delegation will check the invoice to signify:

- An official purchase order has been raised for the purchase.
- The delivery note has been checked (where appropriate) and the delivery quantity, quality and price has been agreed to the amount invoiced.
- Funds are available from the relevant budget and the amount has not been previously paid.

The payment is then prepared and the BACS payment is then passed to two of the banks signatories who check the file to ensure that they have been correctly entered and approve payment.

Any overall surpluses or deficits in reserves at the end of the year are carried over to the following year. If the Trust is anticipating a deficit at the end of any financial year, the Trustees and CEO have a responsibility to ensure action is taken at the earliest opportunity to address this issue.

If there are any surplus funds in relation to capital projects, it is the responsibility of the Chief Finance Officer to ensure accurate records of the funds are maintained and accounted for.

## 7. Payroll

When appointing staff to become employees of the Trust, there are established procedures to ensure that:

- The appointed personnel are competent, suitably qualified and trained to a level consistent with their responsibilities.
- Provide clear statements of criteria for personnel selection.
- Provide formal job descriptions.
- Ensure that the cost of all appointments and other changes to staff salaries can be met with the resources available to the Trust.

HR maintains a list of staff employed by the Trust, with contracts which must be kept up to date with the current salary and any other relevant information that is needed on file.

The payment of salaries, wages, other taxable allowances and emoluments from the delegated School's budget shall be made by direct BACS transfer (Payments by cash will not be made) only by the external payroll provider unless the Governing Body makes a formal decision for alternative payroll provision. The external payroll provider shall be responsible for the deduction of all pension contributions, trade union subscriptions and other items from employees' salary payments and will arrange for the paying over of such deductions to the relevant bodies.

All employees will be paid monthly on the 25<sup>th</sup> of the month, or the nearest working day prior to the 25<sup>th</sup>, where the 25<sup>th</sup> falls on a weekend or bank holiday.

The CEO/ CFO/HR Manager/Payroll Officer shall update the payroll software with details of all appointments, changes to working hours/salary grades, resignations, absences or other changes which may affect the pay or pension of an employee or ex-employee of the Trust. Any changes to contracts must be approved by the Board in advance, with the exception of urgent short-term supply appointments. At regular intervals CEO/CFO shall check all actions have been completed correctly.

The CEO will authorise all salary documents relating to appointments, resignations, additional supply or payments and absence of staff. Properly authorised new starter, adjustments or leaver forms should be used to notify of such contract changes and promptly entered into the payroll software. A resignation letter should be attached where applicable and all access rights to IT systems removed with all School owned assets collected.

In addition to the properly authorised starters form, the following documents should be obtained from a new member of staff and sent to the payroll provider:

- P45 (income tax) - in the event of the employee not having one, a P46 should be completed.
- Bank credit form.
- Medical Clearance Form – medical clearance is required before a new employee commences employment.

Timesheets for additional hours, temporary work or overtime undertaken are completed by the employee. In turn this is authorised by the budget holder, prepared by the Finance Team and signed off by the CEO/CFO. The CEO/CFO cannot authorise their own submitted forms.

No individual is to be treated as self-employed without the clearance of the Board of Trustees and HMRC.

HR are responsible for obtaining the relevant DBS checks and ensuring DBS numbers are recorded on the single central record (SCR).

The Finance / Payroll Officer will prepare a reconciliation between the current month's and the previous month's gross salary and deductions due from payroll, showing reasons for variances, which should then be checked and authorised by the CFO.

The accounting system will be updated by posting payroll journals which will be authorised before inputting to the system. The Chief Finance Officer is responsible for reviewing the payroll control accounts on a monthly basis and investigating any unreconciled transactions and differences.

Annually, checks will be performed of the payroll system to ensure the gross pay of staff is in accordance with their contract held.

The Trust does not award salary advances.

The Trust is able to self-approve the non-contractual element of severance payments up to £50,000 (in accordance with the Scheme of Delegation). A business case must be presented before agreeing a payment, using the form provided by ESFA on gov.uk. Where the non-contractual element is on or over £50,000 prior approval from ESFA must be sought. The CEO must sign off and review each business case and also be approved by the Trust Board, above £5,000.

Any ex-gratia payments must be submitted to the ESFA for approval.

## **8. Income**

The Trust has overall responsibility for ensuring that all income due to the Academy is properly accounted for. Day-to-day responsibility for this is delegated to the central finance team / School Business Officer, with assistance from the Chief Finance Officer, where required. Income, including valuations for donated services and gifts in kind, is accounted for in accordance with the requirements set out in the Academy Trust Handbook. Receipts should be given for all amounts of non-grant income.

The main sources of income for the academy are the grants from the ESFA. The receipt of these sums is monitored directly by the Chief Finance Officer, who is responsible for ensuring all grants due to the Academy are collected.

The receipt of other grants is monitored directly by central finance team and Chief Financial Officer, who are responsible for ensuring that all grants due to the Academy are collected.

Invoices are raised from on the financial software for self-generated income by the Academy. When the income is received, a sales receipt is generated on financial software recording the income as received and clearing the outstanding debtor.

All hiring of Trust facilities and equipment is to be documented and invoiced in accordance with the agreed terms made with the customer. The sales receipt will then be matched against the sales invoice in the accounting system.

## **9. Bad debts**

The Trust chases all monies due and those that have not been paid within 30 days of an invoice being issued, by telephone or letter.

If the debt remains unrecoverable after 12 months, or it becomes clear that the debt will not be repaid, the debt will be written off in accordance with the Scheme of Delegation. To note, ESFA approval is required if the amount is 1% of total income or £45k (whichever is smaller) per ATH 5.19.

## **10. Purchasing**

In relation to expenditure, see the procurement process and the financial scheme of delegation documents for additional information.

The Trust must achieve value for money on all purchases and therefore all staff involved in the purchasing process will ensure they follow the general principles of probity, accountability and fairness.

Official orders shall be placed for all goods, services and works except for such items as recurring charges for public utilities, works and services executed under a contract that has been pre-approved, supply staff, and catering purchases (food and drink only). Orders will be generated in the financial software where possible.

The authoriser of the order will be responsible for making appropriate arrangements for the delivery of the goods to the Academy. On receipt of the goods, a detailed check must be performed to ensure there are no differences to the order. The goods received note must be signed to confirm this check has been performed and any discrepancies reported to the Finance department and discussed with the supplier of the goods without delay.

If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Finance department should be notified and a record kept of these goods.

The authorisation of orders and the payment of invoices will only be agreed in accordance with the financial scheme of delegation.

Goods will not be paid for in advance of receipt, unless in urgent and exceptional circumstances, of which should be documented on the order form.

All invoices should be sent to the Finance department, who will record this as being received in the financial software. The Finance department will check the invoice to the order and the authorised GRN and these documents will be filed accordingly in the relevant together.

At month end, the Finance department will produce a list of outstanding invoices from the purchase ledger and ensure this is accounted for in the management accounts.

The trust's funds must not be used to purchase alcohol for consumption, except where it is to be used in religious services.

All purchases should be made in line with the Trust's Financial Scheme of Delegation

## **11. VAT**

The Chief Finance Officer is responsible for submitting the VAT returns, where appropriate each quarter and ensuring the Trust is compliant with HMRC guidelines and that the information is submitted within the appropriate deadlines.

## **12. Fixed assets**

The Trust includes details of all assets with a cost greater than £1,000 in the asset register which is maintained by the Chief Finance Officer and records:

- Asset description, date of acquisition, cost and location held.
- Source of funding.
- Expected useful economic life.
- Depreciation (cumulative and charge for the accounting period).
- Current net book value.

The Chief Finance Officer will ensure that annually checks are carried out to agree items held per the fixed asset register to the tangible assets and that they are not in a state of disrepair or any impairment to the asset being required.

The asset register helps to ensure that:

- Staff take responsibility for the safe custody of assets.
- Independent checks of the assets can be performed to prevent misuse or theft.
- The external auditors can use this information to agree the year end fixed asset value.
- To support insurance claims in the event of theft or damage.
- Manage the effective utilisation of assets to plan for their replacement.

All assets should be kept securely and locked away when not in use, if appropriate to do so.

Disposals should be accounted for in accordance with the Academy Trust Handbook and the Scheme of Delegation.

### **13. Related parties and connected parties**

Connected parties arise where one party has control or influence over the other, or where the parties are subject to common control. This includes parent companies and their subsidiaries, key management personnel including company directors, their close family members and other entities in which these parties have a controlling interest. Accounting standards require transactions between related parties to be disclosed in company financial statements as connected party transactions. Such transactions are permitted under company law, charity law and under the Academy Trust Handbook provided that open and transparent procurement procedures have been followed and any conflicts of interest are adequately and appropriately managed.

The ESFA's Academies Accounts Direction sets out that, for academy trusts, connected parties include:

- Parties with control over, or controlled by, the entity (for example parent and subsidiary companies).
- Parties having significant influence over the entity.
- Key management personnel of the entity, including any director, whether executive or otherwise.
- Close family members.
- Others subject to control or significant influence by any individual referred to above.

The Trust wherever possible should avoid trading with connected parties because of the following:

- The potential risk to public funds because transactions cannot be demonstrated to be properly entered into or reasonable.
- The transaction may be considered irregular because it does not comply with legislation, with the terms of the Trust's funding agreement and/or the Academy Trust Handbook, and/or comply with internal Trust procedures.
- The transaction may bring the Trust into disrepute because it could be viewed negatively by the community or stakeholders.

The Trust will only allow trading with connected parties if the trade can clearly be shown to be beneficial on a financial, operational, and/or governance level, to the local community or to the quality of education delivered and thereafter educational outcomes for pupils.

In accordance with the ESFA's guidelines, all transactions with related parties should be provided 'at cost'. For these purposes the cost will be the full cost of all resources used in supplying the goods or services. Full cost includes:

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

Full cost must not include an element of profit and for transactions above £2,500 a statement of assurance from that individual or organisation must be obtained confirming their charges do not exceed the cost of the goods and services and on the basis of an open book arrangement.

The Trust must obtain ESFA's prior approval, using the related party online portal for contracts or other agreements for the supply of goods or services to the Trust by a related party where any of the following limits arise:

- A contract or other agreement exceeding £20,000.
- A contract or other agreement of any value that would mean the cumulative value of contracts and other agreements with the related party exceeds, or continues to exceed £20,000 in the same financial year.

The Trust will ensure all related party transactions are disclosed in the accounts.

The Trust must report all contracts and other agreements with related parties to ESFA in advance of the contract or agreement commencing, using ESFA's related party on-line form. This requirement applies to all such contracts and agreements made on or after 1 April 2019.

## 14. Other

The Finance Department, including School Business Officers and Chief Finance Officer are responsible for ensuring that incoming funds are properly classified and designated as appropriate. Expenditure should be spent in accordance with the terms of the fund records should be maintained of these funds.

The Chief Finance Officer reviews insurance arrangement annually and ensures that the sums insured are commensurate with the risks and include cover for academy trust property when off the premises. The Trust has opted in to the Department for Education's Risk Protection Arrangements.

Keys and access cards must be kept securely at all times, the loss of such items should be reported to the School Business Officers / Chief Executive Officer / Premise Manager immediately.

Capital projects will be managed by the CEO / DCEO and anyone to whom they delegate responsibility. The Trust will ensure the Academy Trust Handbook is followed throughout.