



**BDMAT**  
Birmingham Diocesan  
Multi-Academy Trust

# Finance Policy

**Issued: November 2018**  
**Reviewed: Autumn 2023**  
**Next review due: Autumn 2024**



## **1.0 Introduction**

- 1.1 The purpose of this document is to ensure that the Birmingham Diocesan Multi-Academy Trust (the Trust) maintains and develops systems of financial control which conform to the requirements of both propriety and good financial management. It is essential that these systems operate properly to meet the requirements of our funding agreements with the Department for Education (DfE). Each School within the Trust must comply with the principles of financial control outlined in the academies guidance published by the Education Skills and Funding Agency (ESFA) in the Academy Funding Agreement and Academies Trust Handbook.
- 1.2 The Trust will ensure all staff, including the Accounting Officer, the Executive Leadership Team, Headteachers, Finance staff and Admin staff, who deal with financial matters, are trained in the appropriate financial procedures.
- 1.3 The Trust's Finance and Resources Committee, a sub-committee of the Trust's Board of Directors will be responsible for reviewing all controls and procedures of financial systems operating within the trust.

## **2.0 Purpose of this document**

- 2.1 The purpose of the Finance Policy is to ensure there is an effective system of financial control in place over the Trusts resources and to provide management with assurances that the resources are being properly applied for the achievement of the Trust's charitable objectives.
- 2.2 The system of financial controls provides reassurance to the Trust's Board of Directors on:
  - The short, medium and long term financial sustainability of the Trust
  - The achievement of value for money
  - The appropriate and effective use of public funds
  - Compliance with all relevant legislation
  - The safeguarding of the tangible and intangible assets of the Trust

### **3.0 The Status of the Finance Policy**

- 3.1 The Finance Policy and associated policies are applicable to all schools, the central team and any projects undertaken.
- 3.2 The Finance Policy is relevant to all central and school staff at all levels with duties involving financial management and/or financial administration. It is the responsibility of Headteachers and Head of Department to ensure that all staff are aware of and follow the requirements contained within this Finance Policy.
- 3.3 The Chief Executive Officer (CEO) reserves the right to suspend and/or withdraw delegated authorities in whole or part where these regulations are not being adhered to. This would effectively withdraw authority to spend on staffing or other resources.
- 3.4 Compliance with the Finance Policy is compulsory for all staff. A member of staff who fails to comply with the Finance Policy may be subject to disciplinary action under the Trust's Disciplinary Policy. Any such breach will be notified to the Board of Directors through the Finance and Resources Committee.
- 3.5 In exceptional circumstances the Finance and Resources Committee may authorise a departure from the Finance Policy, but such a departure must be reported to the Board of Directors at the earliest opportunity and at the next Board of Directors meeting at the latest.

### **4.0 Trust Roles and Responsibilities**

- 4.1 The main responsibilities of the Trust are prescribed in the Trust's Master Funding Agreement with the Education and Skills Funding Agency (ESFA). The key responsibilities include:
  - ensuring that grants from the ESFA are used only for the purposes intended
  - approval of the annual budget in line with ESFA guidelines and timelines
  - production of an Annual Report and Accounts
  - appointment of auditors
  - appointment of a Chief Executive Officer (as Accounting Officer)
  - appointment of a Chief Finance Officer
  - ensure regularity, propriety and value-for-money in relation to the management of public funds

- annual letters to the Accounting Officer from ESFA regarding the Accountability Framework are discussed by the Board
- to consider and sign the Statement of Internal Control (SIC)

4.2 Subject to provisions of the Companies Act, the Trust's Articles of Association and to any directions given by special resolution, the business of the Trust will be managed by the Directors who may exercise all the power of the Trust.

4.3 The Trust has defined the responsibilities of key committees and staff involved in the administration of the school finances to avoid duplication or omission of functions and to provide a framework of accountability for governors and staff.

4.4 The following sections summarise the responsibilities of those individuals with key roles in the administration and accountability of Trust finances.

## **5.0 Trust Board of Directors**

5.1 The Board of Directors is responsible for ensuring that high standards of corporate governance are maintained through:

- finance policy development and strategic planning
- ensuring sound management and administration of the Trust and its schools and ensuring that managers are equipped with relevant skills and guidance
- ensuring compliance with general legislative requirements
- establishing and maintaining a transparent system of prudent and effective internal controls
- management of the Trust's financial, human and other resources
- monitoring performance and the achievement of objectives and ensuring that plans for improvement are acted upon
- setting the Trust's standards of conduct and values
- assessing and managing risk (including the preparation of a statement on school risk management, for its annual report and accounts)
- setting executive pay following a robust evidence-based process
- to hold to account the CEO and Trust staff

## **6.0 Finance and Resources Committee**

6.1 The key responsibilities of this committee include:

- monitor and review the financial position of the organisation and ensure there is proper focus on schools who are struggling with sustainability or who are non-compliant with this handbook

- recommend approval of individual budgets to the Board of Directors and act as approver for significant transactions within the Scheme of Delegations (see below)
- agree the financial strategy of the organisation
- monitor capital projects, procurement, pensions and pay
- ensure the financial governance responsibilities of the Board of Directors are being met

6.2 The Committee also has delegated responsibility for risk management and audit which include:

- monitoring and evaluating the work of internal auditors, external auditors, and the compliance function
- keep under review the adequacy of the effectiveness of internal controls
- review the overall risk profile of the organisation
- monitor the integrity of the financial statements

## **7.0 Chief Executive Officer/Accounting Officer**

7.1 The Chief Executive Officer (CEO) has overall responsibility for the Trust's activities, including all financial activities. As the Accounting Officer for the Trust, the CEO is personally responsible for:

- propriety and regularity of the public finances for which they are answerable (this covers standards, conduct, behaviour and corporate governance)
- keeping of proper accounts
- prudent and economical administration
- avoidance of waste and extravagance
- ensuring value for money
- efficient and effective use of all available resources
- management of opportunities and risks

7.2 The Accounting Officer is personal responsibility for:

**Regularity** – dealing with all items of income and expenditure in accordance with legislation, the terms of the trust's funding agreement and this policy and compliance with internal Trust procedures. This includes spending public money for the purposes intended by Parliament.

**Propriety** – The requirement that expenditure and receipts should be dealt with in accordance with Parliament's intentions and the principles of Parliamentary control. This covers standards of conduct, behaviour and corporate governance.

**Value for money** – this is about achieving the best possible education and wider societal outcomes through the economic, efficient and effective use of all the resources in the trust’s charge, the avoidance of waste and extravagance and prudent and economical administration. A key objective is to achieve value for money not only for the academy trust but for taxpayers more generally.

7.3 The CEO has responsibility for:

- approving new staff appointments, outside of the agreed staffing structure and budgets, except for any senior staff posts, which the Directors have agreed should be approved by them
- authorising orders, contracts and signing cheques/releasing payments in conjunction with other authorised signatories in accordance with the agreed Scheme of Delegation
- preparing budget plans in line with ESFA guidelines
- ensuring expenditure is in line with the Trust’s approved budget
- seeking Board of Directors approval for purchase orders or contracts in excess of delegated thresholds
- submitting reports to the Board of Directors giving details of income, expenditure and commitments to date
- Ensuring any actions resulting from the annual audit are implemented

## **8.0 Role of the Chief Finance Officer (DCEO)**

8.1 The role of the Chief Finance Officer is undertaken by the Deputy Chief Executive Officer (DCEO) who works in close collaboration with the CEO through whom they are responsible to the members. The main responsibilities of the DCEO are:

- day to day management of a suitable accounting system
- financial issues, including the establishment of operating the Trust’s central budget and individual management of the school financial position at a strategic and operational level within the framework for financial control determined by the Board of Directors
- preparation of budget plans in conjunction with the CEO and Headteachers
- the maintenance of effective systems of internal control
- maintenance of adequate fixed asset registers
- liaising with auditors to ensure that the annual accounts are properly presented and adequately supported by the underlying books and records of the Trust
- the preparation of monthly management accounts, including income and expenditure reports
- the preparation of cash flow forecasts and a balance sheet

- ensuring forms and returns are sent to the ESFA in line with the timetable in the ESFA guidance
- consideration of related party, novel, contentious or repercussive transactions before they are entered into and reported to ESFA

## **9.0 Role of the Finance Team**

9.1 The duties of the Finance team are to provide support for all schools and the central team in the following areas:

- The production, analysis and interpretation of monthly management accounts, including forecasting annual expenditure
- Monthly budget meetings with Headteachers
- The production of the Trust's annual statutory accounts
- The production of all statutory and other returns to the DfE, ESFA or other government departments
- The production of annual and 3 year school budgets
- Ensuring that invoice checking procedures are followed
- Ensuring that, in conjunction with the Head Teacher, the authorisation of orders, invoices and schedules are in accordance with this Financial Policy, the Procurement Policy and the Scheme of Delegations
- Prompt and intact banking of income and associated recording of income in accordance the Academies Financial Handbook
- Use of the Trust's financial operating system, including the accurate recording of financial transactions
- Reviewing monthly salary and salary variance reports, reconciling these to the budget and addressing and issues identified
- The production of VAT and other tax returns
- Conducting due diligence on schools that may be joining the Trust
- Onboarding support to new schools joining the Trust
- Other financial analysis work as required by the DCEO

## **10.0 The Role of the Local Academy Board**

10.1 The role of the Local Academy Board (LAB) in school finance administration is:

- to review the overall academy budget, including priorities for future expenditure
- to submit the budget plan to the Trust Board of Directors for approval
- to approve the Draft Annual Budget
- to maintain a register of pecuniary interests for governors and staff

## **11.0 Role of the Head Teacher/Executive Head Teacher/Head of School**

11.1 The day to day operation of the budget is delegated to the Head Teacher who will be responsible for:

- preparing the school improvement plan and school budget and submission of these plans to the Executive Leadership Team for review
- implementing internal control systems in accordance with the Trust's Financial Policy and as directed by the DCEO
- maintaining adequate financial records in accordance with the Academy Trust Handbook
- providing access to accounting and other relevant records to Audit and implementing auditor recommendations where necessary
- ensuring that the school inventory is maintained as accurately and up to date as possible and ensuring that an independent check of the inventory is made at least once a year
- ensuring that stolen items are reported to the DCEO for formal approval to delete the item from the inventory/asset register
- ensuring that adequate procedures are in place for the prompt security marking of all items of a portable and desirable nature
- ensuring that adequate controls are in place to ensure that all responsibilities delegated are monitored
- to maintain a file of all submitted applications for grant funding and counter sign and submissions for audit purposes

## **12.0 The Role of Staff in Schools**

□ The role of staff in Schools in relation to financial administration is:

- to familiarise themselves with this Finance Policy and all associated policies, including the Procurement Policy and Credit Card Policy
- to conduct all financial transactions relating to their school in accordance with this policy
- to manage any budget delegated to them by the Head Teacher, and after due consultation with relevant staff
- to actively seek 'best value' on all work, goods, materials or services procured on behalf of the school
- to ensure that all relevant documents (delivery notes, invoices, etc.) are promptly passed to the Finance Team for processing



### **13.0 Delegated Authority**

- 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 members, Directors, Governors and staff who can influence financial decisions, 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 of interests is open to public inspections and 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 any business interests of relatives such as a parent or spouse or business partner, where influence could be exerted over a member, director, governor or a member of staff by that person. It is also important to identify any connected parties and or related parties with any other charity, company or organisation with which it operates in the pursuit of charitable activities.
  
- The existence of a register of business interests does not, of course, detract from the duties of members, Directors, governors and staff to declare interests whenever they are relevant to matters being discussed by the Board, Committees and LABs. Where an interest has been declared, members, trustees, governors and staff should withdraw from that part of any committee or other meeting.

### **14.0 Investigation of fraud and irregularity**

- 14.1 The personal responsibilities of the accounting officer extend to the prevention of loss through fraud and irregularity. However, in addition to the accounting officer's responsibilities, the members of the Trust are also responsible for preventing such losses of public funds, and this means that members, directors and governors must be aware of the risk of fraud and irregularity to occur within their organisations and they must, as far as possible, address this risk in their internal control and assurance arrangements by putting in place proportionate controls. The Trust is also responsible for ensuring appropriate action is taken where fraud and irregularity is suspected or identified.
  
- 14.2 All instances of fraud or theft committed against the Trust, whether by employees or governors or third parties above £5,000, must be reported by the Trust to the ESFA. Any unusual or systematic fraud, regardless of value, must also be reported.



14.3 The ESFA reserves the right to conduct or commission its own investigation into actual or potential fraud, theft or irregularity in any academy either as the result of a formal notification from the Trust itself or as the result of other information received.

14.4 The ESFA has provided “fraud indicators” that can identify risks of fraud. All staff can use this list to see high risk areas where fraud could occur (see Financial Probity Policy).

### **15.0 Appointment of External Auditors**

15.1 The Trust is required to submit the annual statutory accounts for an independent annual audit. The appointment and term of the Trust’s external auditors is made by the Board of Directors and can be extended at the discretion of the Board of Directors. The external auditors are required to give an opinion on whether:

- the financial statements have been prepared in accordance with the Charity’s SORP 15 and the Annual Accounts Directions issued by the ESFA
- proper accounting records have been kept by the Trust throughout the financial year
- grants made by the ESFA have been applied for the purposes intended

15.2 The Trust should arrange for on-going monitoring of the performance of the auditors to be undertaken by the Finance and Resource Committee.

### **16.0 Accounting system**

16.1 All the financial transactions of the Trust must be recorded on the Trust’s financial operating system by the Finance Team and school staff.

16.2 Financial records are required to be kept for at least six years. This is a requirement laid down by Her Majesty’s Revenue and Customs (HMRC).

### **17.0 System Access**

17.1 Access to the Trust’s financial operating system is restricted to authorised staff. Access permissions are strictly controlled by the DCEO. Individuals must set strong passwords and not share their individual log-ins and passwords.

17.2 All leavers with previous access to the Trust’s financial operating system will have their access permissions formally removed.

### **18.0 Back-up Procedures**

18.1 The DCEO is responsible for ensuring that there are effective back up procedures for the system.

18.2 The DCEO will also prepare a disaster recovery plan in the event of loss of accounting facilities or financial data. This should link with the annual assessment made by the Board of Directors of the major risks to which the Trust is exposed and the systems that have been put in place to mitigate those risks.

### **19.0 Transaction Processing**

19.1 All transactions input to the Trust's financial operating system must be processes and authorised in accordance with the Trust scheme of delegations.

19.2 All purchase orders, debtor and creditor invoices and credit notes are processed using a workflow on the finance system. As system administrator the Head of Finance reviews and updates the workflow in accordance with any changes to the scheme of delegations or finance policy,

19.3 Journals are periodically reviewed for accuracy and appropriateness by the Head of Finance as part of month end procedures.

19.4 Detailed information on the operation of the system can be found in the finance system user manuals.

### **20.0 Transaction Reports**

20.1 The DCEO will obtain and review system reports to ensure that only regular transactions are posted to the financial operating system. The reports obtained and reviewed will include:

- monthly payroll reports
- monthly bank statements reconciliations
- monthly credit card statements
- monthly VAT returns
- management accounts summarising expenditure and income against budget at budget holder level.

### **21.0 Reconciliations**

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

- payroll
- bank balance per the nominal ledger to the bank statement
- credit card
- VAT

21.2 Any unusual or long outstanding reconciling items must be brought to the attention of the DCEO and as evidence of their review.

## **22.0 Annual Budgets**

22.1 Annual budgets will reflect the best estimate of the resources available to each school for the forthcoming year and how those resources are to be utilised by each school. There should be a clear link between the school improvement plan objectives and the budget.

22.2 The budgetary planning process will incorporate the following elements:

- forecast of the likely number of pupils to estimate the amount of ESFA grant receivable
- review of other income sources available to the individual school within the Trust to assess likely level of receipts
- review of past individual performance against budgets to promote an understanding of the Trust's cost base
- identification of potential efficiency savings
- review of the main expenditure headings in light of the strategic plan objectives and the expected variation in cost, e.g. pay increase, inflation and other anticipated changes
- liaising with external agencies including major suppliers to ensure that the Trust's best financial interests are met

22.3 Individual school plans and budgets will need to be revised until income and expenditure are in balance. Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding.

22.4 If shortfalls are identified, opportunities to increase income and reduce expenditure should be explored. This may entail prioritising tasks and deferring projects until more funding is available.

22.5 It will be the responsibility of the Headteacher, following consultation with the Local Academy Board, to recommend an annual budget for submission to the Board of Directors. The budget submission should be consistent with the Trust's budget assumptions and accompanied by explanations behind the plan.

22.6 The DCEO, in conjunction with the Executive Leadership Team, are responsible for preparing and obtaining approval for the Trust's annual budget, which aggregates the budgets of each school in the Trust. The Board of Directors must approve the budget.

22.7 The approved aggregated budget must be submitted to the ESFA by the deadline specified by the ESFA. The deadline date for submission of the academy budgets will be confirmed annually by the DCEO.

22.8 Budgets should be seen as a working document which may need revising throughout the year as circumstances change.

### **23.0 Monitoring and Review**

23.1 The Finance Team will produce monthly management accounts, highlighting risks, issues and variances for review and discussion with the Headteacher.

23.2 The monitoring process should highlight variances in the budget to enable actions to be taken to remediate the variance. Any potential overspend against budget must be raised with the DCEO at the earliest possible opportunity.

23.3 Each school should present monitoring reports to the Local Academy Board at least three times a year.

### **24.0 Cash handling**

24.1 BDMAT is working towards being a cashless organisation with all payments for catering, school trips, uniforms and other ancillary sales processed through an online payments portal.

24.2 On rare occasions where schools need to take cash payments these must be recoded on a daily basis by a member of the school office team (not the person involved in cash collection) and reconciled to the receipts. The cash totals need to be entered onto the banking sheet. Cash can be kept in the safe for up to a month or the safe limit (£5,000) prior to banking. As a minimum cash must always be banked at the end of each half term and not left in the safe over school holidays.

24.2 Headteachers will need to carry out a risk assessment on the banking of cash to determine whether a cash collection service is required. If the school does not have a cash collection service, then two members of school office staff will be required to take the cash to the bank.

### **25.0 Payroll**

25.1 The main elements of the payroll system are:

- Staffing changes, including starters, leavers or contract changes
- payroll administration payments, including payment to third parties such as HMRC, pension funds and unions

25.2 Payroll is managed by the central team.

- 25.3 All staff are paid monthly by bank credit transfer to their nominated bank accounts.
- 25.4 Staff expenses and mileage should only be incurred in accordance with the Trust Expenses Policy, must be entered onto the Trust payroll portal by the member of staff and approved in accordance with the Trust Expenses Policy and Scheme of Delegation. The payroll portal includes a workflow for approvals that will be reviewed and updated by the central team.
- 25.5 Monthly payroll changes (starters leavers, changes) should be added to the Trust payroll portal by the school admin lead and locked by the Headteacher in accordance with the annually published payroll timetable.
- 25.6 **The final monthly payroll file must be reviewed by School Finance Partners and authorised by the Deputy CEO or a representative nominated by the Deputy CEO.**
- 25.7 School Finance Partners will undertake a monthly reconciliation between the current month's payroll, last month's payroll and the budgeted payroll costs. Any variations will be investigated and reported to the Headteacher and queries raised with the Payroll Team. The School Finance Partner and the Headteacher should review the reconciliation on a monthly basis to verify the accuracy of the payments made.
- 25.8 The Trust has a responsibility for ensuring that all payments to individuals are subject to tax and national insurance deductions where appropriate. In order to achieve this, the following guidelines should be followed:
- an assessment must be made as to whether the individual is providing a contract of service (i.e. employed) or a contract for services (i.e. self-employed). If considered to be a contract of service, the individual shall be set up as an employee of the school before receiving payment through the payroll
  - where an individual seeks payment from the school for a contract for services, this must be in the form of an invoice.
- 25.9 Careful attention should be paid to any novel, unusual or repetitive payments to individuals.
- 26.0 As part of the Trust's commitment to business efficiency, procurement compliance and legislative obligations the Trust will exercise tight control over its use of suppliers.
- 27.0 All new supplier requests must be submitted by school admin staff on the Trust's finance portal in advance of the goods or services being ordered.

28.0 All new supplier requests must be approved by the Finance Team. The Finance Team will complete the following checks:

- Companies House check to confirm the supplier is legitimate
- Confirm bank details with the company
- A credit check for any supplier where spend is expected to be in excess of £10,000 per annum
- IR35 check, where appropriate

29.0 The Head of Finance will undertake an annual review of all suppliers and remove any that the Trust has not used for over 24 months and/or where preferred suppliers are in place.

### **30.0 Linked Policies**

30.1 There are a number of policies that should be considered alongside this policy which are:

- Procurement Policy
- Pay Policy
- Credit Card Policy
- Financial Probity Policy
- Staff and Volunteer Expenses Policy

## **Appendix A: Income Procedures**

### **Introduction**

The main source of income for Birmingham Diocesan Multi-Academy Trust (the Trust) are grants from the Education and Skills Funding Agency (ESFA), Department for Education (DfE), and Local Authorities (LAs). This funding constitutes approximately 98% of the Trust's overall annual income.

Other income sources are self-generated by schools, such as sales of meals, uniform and materials, lettings, trips, music tuition or donations all of which are closely linked to the achievement of the Trust's charitable objectives, which is the provision of state funded education.

The Trust does not actively engage in commercial activities to generate income.

### **ESFA Income**

The main source of income for the Trust are the grants from the Education and Skills Funding Agency (ESFA). The receipt of these sums is monitored by the Trust's Executive Leadership Team-supported by the Finance Team, who are responsible for ensuring that all-funding due to schools is received. Income is received centrally by the Trust and allocated to schools after the deduction of central charges.

### **Other grants**

Other grants are monitored by the Finance Team who are responsible for ensuring that all grants due to the schools are correct.

In addition to GAG funding from the ESFA, the Trust may be awarded specific funding for other purposes or projects. This funding may be from the Department of Education, or Local Authority or another funding body. All grant funding will be spent in accordance with the terms and conditions imposed, accurately recorded as grant income (restricted) and audited externally where required.

The Finance Team are responsible for recording all income and expenditure for each grant, providing a reconciliation within the monthly management accounts for their school.

### **Funds held centrally**

Where funds are held centrally on behalf of a school the Finance Team is responsible for ensuring accurate recording of the income and expenditure, as well as ensuring the funds are recognised separately as set out in the Trust's Memorandum of Understanding and Articles of Association.



## **Trips**

Students/parents should make payments through BDMAT's electronic payment system.

On rare occasions where cash is taken as payment a receipt must be issued for all monies collected and the value of the receipt and the number of the receipt recorded against the pupil making the payment.

Where payments are not managed through BDMAT's electronic payment system the school 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 admin member of staff who is responsible for chasing the outstanding amounts.

Trips should be run at cost price with and for administrative fees, insurance and additional staff cover. Any surplus greater than £10 per pupil will be redistributed to parents unless the school has agreed with the Parent Association that surpluses may be retained. If the School decides to subsidise the school trip the amount of subsidy must be approved by the Headteacher in advance of the booking being made. This must be in accordance with the approved budget.

## **Catering (if electronic cash collection at the school)**

All payments are reconciled to the system reports with a minimum of monthly checks being undertaken by the school and cross referenced to a sample of individual pupils.

## **Lettings**

Lettings should be managed in accordance with the BDMAT Lettings Policy.

## **Sundry income**

Income from other sources (for example educational consultancy) is priced in consultation with the School's Headteacher. The transaction must not be undertaken until the price has been agreed and the customer has been assessed for ability to pay in accordance. The Trust's standard terms of business are for payment within 30 days of the invoice date. Any deviation from these terms must be authorised by the Trust's DCEO.

## **Gift Aid**

An academy trust is able to claim gift on donations from individuals.

To ensure the Trust, in its position as an exempt charity, receives all the monies it is entitled to, the Central Finance Team:

- reconciles income against records to confirm expected amounts have been received by the donor

- ensures the tax reclaimable from HMRC has been obtained and any relevant business use deduction has been made

### **Debt recovery and write offs**

Write offs need to be in line with the delegated authorities set out in the Scheme of Delegation.

The School/Central Finance Team should always pursue recovery of amounts owed to it, overpayments or payments made in error, irrespective of how they came to be made.

The School/Central Finance Team should only consider writing-off losses after careful appraisal of the facts, including whether all reasonable action has been taken to effect recovery from the debtor.

### **External aged debtors**

The School/Central Finance Team should establish a sales ledger account and produce sales invoices for lettings and miscellaneous income.

Unpaid accounts must be chased up on at least a monthly basis. A review of outstanding debts will form part of the monthly School/Central Finance Team finance review meeting.

### **Pupil debts (e.g. catering income, trip income)**

Outstanding debts should be chased by the school office.

Requests to write off debts must be approved according to the delegated authority within the Trust's Scheme of Delegations and referred to the ESFA according to the limits specified in the Academy Trust Handbook.

## Appendix B: Budget and Financial Planning Procedure

### The Budget Cycle

The budget cycle is as follows:

September	Forecasting and budget monitoring undertaken by School Finance Partners
October	
November	
December	
January	Monthly finance and budget review meetings with Headteachers and central budget holders
February	
March	Budget assumptions, including pupil number projections and inflationary expectations, presented to Finance and Resources Committee
April	
May	School Finance Partners work with Headteachers to produce draft school budgets
June	Draft school budgets presented to DCEO
July	Draft budget and 3 year plan presented to Finance and Resources Committee
August	Draft budget and 3 year plan presented to Board of Directors for approval
September	Approved budget submitted to ESFA

All requirements of the ESFA, in particular relating to carry forward of unspent funds, will be taken into account in preparing and submitting the budget.

### Preparing the budget and forecast

All schools maintain a 5 year budget plan using BDMAT's electronic budgeting system, which is used to prepare the budget and 3 year budget forecast for the Board of Directors and ESFA. Budgets have to be submitted in accordance with the timetable required by the MAT (see dates provided above).

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

The budgetary planning process will incorporate the following elements:

- a reconciliation between the actual payroll costs and that included within the plan to ensure it remains accurate
- forecast of the likely number of pupils to estimate the amount of General Annual Grant
- latest estimate of other ESFA funding e.g. pupil premium, Year 7 Catch-Up or other specific funds
- review of other income sources available to the school to assess likely level of receipts
- review of past performance against budgets to promote an understanding of the school costs
- identification of potential efficiency savings
- review of the main expenditure headings in light of the development plan objectives and expected variations in costs e.g. pay increases, inflation and other anticipated changes
- all carry forward balances
- any unspent grants from the previous financial year
- any funds held in school funds
- known and expected staffing changes, including starters, leavers, maternity, grade changes and incremental increases
- the Foresight spreadsheet will need to be submitted along with narrative report summarising the budget and key actions and risks to manage in order to achieve the budget and 5 year financial plan

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 cuts can be made. This may entail prioritising tasks and deferring projects until more funding is available.

Within the 5 year budget plan BDMAT expect schools to include indicative future plans and to provide a narrative report detailing the required actions and timelines to enable the school to return a sustainable operating position. BDMAT do not expect schools to submit budgets and forecasts showing unsustainable future years.

The 5 year budget plan should be updated on a continuous basis as part of the monthly budget and finance review meetings.

Budgets must be approved by the Board of Directors, after which point responsibility for this budget is delegated to the Headteacher in accordance with the Scheme of Delegation.

The approved budget is then entered onto the finance system at the start of the new financial year.

## **Budget changes**

The budget approval process provides schools with a mandate to incur expenditure in line with the budget. Expenditure in excess of approved budget is not permitted.

The budget should be seen as a working document, which may need revision as circumstances change.

Any revision of the budget will need to be considered for approval by the Board of Directors

## **Virements**

With the exception of genuine 1 year fixed term contracts and agency costs virements from non-pay to pay costs budget headings are not permitted unless approval is granted by the Head of Finance.

All other movements between non-pay nominal codes, cost centres and periods with no overall impact on the bottom line can be authorised by the Headteacher.

## **Appendix C: Cash Management Procedures**

### **Bank accounts**

The DCEO and CEO are responsible for proposing the banking institution and negotiating the terms and conditions.

The opening of all accounts must be authorised by the board who must set out, in a formal memorandum, 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.

Any changes to security access rights of Headteachers, Deputy Headteachers and Business Managers are to be prepared and authorised by the DCEO and CEO.

Each Academy should only hold one local bank account for the receipt and deposit of local funds. Additional bank accounts may be opened with the permission of the DCEO and CEO. All bank accounts must set up by the DCEO and CEO on the Lloyds Commercial Banking System.

The Trust is not allowed to borrow funds and no account should be allowed to become overdrawn. The Trust will not enter into any loan arrangements without the prior approval of the Secretary of State.

### **Payments and withdrawals**

All payment and withdrawals from both Central and Academy bank accounts require two authorisers in accordance with the bank mandate.

All BACS payments from the Central or Academy bank account require authorisation from either the DCEO or Head of Finance.

Any BACS payment in excess of £100,000 requires authorisation from either the CEO or DCEO. The Head of Finance may deputise for the CEO or DCEO if they are unavailable. The DPC may authorise BACS relating to payroll in place of the CEO or DCEO.

Request for cheque payments should be made to the Trust DCEO. No cheques are to be held by academies unless specific authority has been granted by the DCEO and CEO.

Cancelled unissued cheques should be retained for inspection.

Cheques should be cancelled and re issued, if appropriate, if they remain uncashed after 6 months.

## **Deposits**

Official, pre-numbered academy receipts should be issued for all cash and cheques received where no other formal documentation exists. 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 insurance limit on the safe.

Monies collected must be banked in their entirety in the appropriate bank account. There will be reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system with appropriate segregation of duties.

Cash and cheques must only be banked in properly approved and controlled accounts in the name of Birmingham Diocesan Multi-Academy Trust.

## **Bank reconciliation**

Bank reconciliations are a key element of financial control and should be completed at least once a month as part of the month end procedures. Reconciliations must ensure that:

- All bank accounts are reconciled to the nominal ledger
- All reconciliations and outstanding items are reviewed
- Adjustments arising are dealt with promptly

Bank statements are obtained monthly. Academies have access to online banking and therefore can review the bank account on an ad hoc basis as required.

## **Petty cash**

Petty cash has been withdrawn from schools in favour of electronic payment methods (such as purchasing cards, BACS and Faster Payments). The Trust does not permit cash transactions to be entered into. All income must be banked in its entirety and is not available to be used for cash payments.