



Financial Regulations Manual

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Together, pursuing life in all its fullness

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1. Introduction

The purpose of this manual is to ensure that the Diocese of Coventry Multi Academy Trust (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 the funding agreement with the Department for Education (DfE).

The Trust must comply with the principles of financial control outlined in the academies guidance published annually by the DfE - the Academy Trust Handbook.

This manual expands on that and provides detailed information on the Trust's accounting procedures and system. The Financial Regulations Manual should be read by all Trust staff involved with financial systems.

2. Organisation

The Trust has defined the responsibilities of each person involved in the administration of academy finances to avoid the duplication or omission of functions and to provide a framework of accountability.

The financial reporting structure is illustrated below:

2.1 The Trust Board

The Trust Board has overall responsibility for the administration of the Trust's finances. The main responsibilities are prescribed in the Funding Agreement between the Trust and the DfE.

The main responsibilities include:

- ensuring that grant income from the DfE is used only for the purposes intended
- ensuring that funds from sponsors are received according to the Trust's Funding Agreement, and are used only for the purposes intended
- approval of the annual budget
- appointment of the CEO
- appointment of the Head of Finance, in conjunction with the CEO.

The Terms of the Board, including meeting frequency and responsibilities, are set out in the Committee Terms of Reference document.

2.2 The Business and Finance Committee

The Trust Business and Finance Committee is a committee of the Trust Board.

The Terms of Reference for the Business and Finance Committee, including meeting frequency and responsibilities, are set out in the Committee Terms of Reference document.

2.3 The Audit and Risk Committee

The Trust Audit and Risk Committee is a committee of the Trust Board.

The Terms of Reference for the Audit and Risk Committee, including meeting frequency and responsibilities, are set out in the Committee Terms of Reference document.

2.4 The Chief Executive Officer

The Chief Executive Officer (CEO) is the Trust's Accounting Officer with overall executive responsibility for the Trust's activities, including all financial activities.

Much of the financial responsibility has been delegated to The Head of Finance, but the CEO still retains responsibility including for the finance limits as set out in the Scheme of Delegation.

2.5 The Head of Finance

The Head of Finance works in close collaboration with the CEO through whom they are responsible to the Trust Board. The Head of Finance also has direct access to the Trust Board via the Business and Finance Committee and attends Trust Board meetings.

The main responsibilities of The Head of Finance are:

- the establishment and operation of a suitable accounting system
- the management of the Trust financial position at a strategic and operational level within the framework for financial control determined by the Trust Board
- implementation and operation of rigorous and robust audits and control
- reviewing the annual budget and making recommendations to the CEO
- ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of the Trust
- the preparation of consolidated monthly and annual management accounts
- ensuring forms and returns are sent to the DfE in line with the ESFA timetable

Please refer to the Scheme of Delegation for full details of the Head of Finance's responsibilities.

2.6 Internal Audit

The Trust appoints an external provider to supply the internal audit service and provide the Trust Board with an independent oversight of the Trust's financial affairs.

The main duties of the internal audit service are to provide the Trust Board with independent assurance that:

the financial and non-financial controls and risk management procedures are operating effectively, including assessing whether procedures are effective and efficient and checking whether agreed controls and procedures have been followed offering advice and insight to the board on how to address weaknesses in financial and non-financial controls, acting as a catalyst for improvement, but without diluting the management's responsibility for the day to day running of the trust ensuring all categories of risk are adequately identified, reported and managed.

The internal auditor will undertake a programme of reviews to ensure that financial transactions have been properly processed and that controls are operating as laid down by the Trust Board. A report of the findings will be presented to the Audit and Risk Committees for review and consideration of remedial action.

2.7 Other Staff

Other members of staff within the Trust will have financial responsibilities. All staff are responsible for the security of academy property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the Trust's financial procedures.

2.8 Register of Interests

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, anyone involved in any level of Trust governance (including Academy Governance Committee Members) and staff with significant financial or spending powers are required to declare any financial interests they have in companies or individuals from whom the Trust may purchase goods or services. The register is open to public inspection.

The register should include all business interests such as directorships, share holdings or other appointments of influence within a business or organisation which may have dealings with the Trust. The disclosures should also include business interests of relatives such as a parent or spouse or a business partner, where influence could be exerted over anyone involved in governance or a member of staff, by that person.

The existence of a register of business interests does not, of course, detract from the duties of anyone involved in governance and staff to declare interests whenever they are relevant to matters being discussed. Where an interest has been declared, the person with an interest should not attend that part of any committee or other meeting.

3. Accounting system

All financial transactions of the Trust must be recorded into PS Financials (PSF), the computerised financial information accounting system adopted for use by the Trust.

PSF is operated by the Trust central team and the individual academies.

Whilst the CEO as Accounting Officer has overall responsibility for the financial transactions of the Trust and its academies, the Head of Finance and members of finance staff have delegated responsibility for the control and use of PSF, ensuring compliance and security at all times.

Delegated areas of responsibility include:

- System Access - Entry into PSF is password restricted and The Head of Finance is responsible for implementing a system which ensures that passwords are changed at least termly.
- Back-up Procedures - The Head of Finance and finance team members are responsible for ensuring that there are effective back up procedures for the system that eliminate risk

of exposure to lost data.

- Transaction Processing - All PSF transactions must be documented, recorded and approved in line with the Trust Scheme of Delegation.
- Financial Reporting - The Head of Finance and finance team staff will obtain and review system reports to ensure only regular transactions are posted to the accounting system eg trial balance checks, management accounts.
- Financial Reconciliations - The Academy Business Partner and finance team are responsible for ensuring reconciliations of key accounts are performed on a monthly (period end) basis and for ensuring unreconciled or query transactions are investigated and resolved in a timely manner. Key accounts include bank accounts, debtor and creditor accounts, VAT control account, payroll control accounts and credit card accounts. All reconciliations must be signed, or linked to a month end checklist which refers to the reconciliation and is signed, to evidence review and acceptance.

The Head of Finance should contribute to a Business Continuity Plan that provides for the event of loss of accounting facilities or financial data. This should link in with the annual assessment made by Trust Board of the major risks to which the Trust is exposed and the systems that have been put in place to mitigate those risks.

4. Financial Planning

4.1 Annual Budget

The CEO is responsible for reviewing the annual budget and making recommendations for approval to the Trust Board. The budget must be approved by the CEO, Business and Finance Committee and the Trust Board.

The approved budget must be submitted to the DfE by the deadline each year and The Head of Finance is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.

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

The budgetary planning process will incorporate the following elements:

- forecasts of the likely number of pupils to estimate the amount of DfE grant receivable
- review of other income sources available to the Trust to assess likely level of receipts
- review of past performance against budgets to promote an understanding of the Trust cost base
- identification of potential efficiency savings
- review of the main expenditure headings in light of the medium-term objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes
- use of KPI's to identify discrepancies between individual academies.

4.2 Balancing the Budget

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

4.3 Finalising the Budget

Once the different options and scenarios have been considered, a draft budget should be prepared by The Head of Finance for approval by the CEO, the Business and Finance Committee and the Trust Board. The budget should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.

4.4 Monitoring and Review

Monthly reports will be prepared by the Head of Finance and finance team staff. The reports will detail actual income and expenditure against budget both for budget holders and at a summary level for the CEO and the Business and Finance Committee.

Any potential overspend against the budget must in the first instance be discussed with the Head of Finance and the reason for the overspend should be noted in the budget planning software.

The monitoring process should be effective and timely in highlighting variances in the budget so that differences can be investigated and action taken where appropriate. If a budget overspend is forecast, it may be appropriate to underspend money from another budget line. If this is not possible, refer to the Finance Business Partner in the first instance.

5. Payroll

Key functions for Human Resources are set out in the Scheme of Delegation.

Payroll administration and management is outsourced to a third party Payroll provider.

5.1 Staff Appointments

The responsibility for leading the process for filling vacancies is as set out in the Trust Scheme of Delegation.

5.2 Payments

Before net payments are dispatched a report of all data is obtained from the payroll provider after the first payroll run and is checked against source documentation by the Academy Business Partner and People Team.

Authority to release payments is as set out in the Trust Scheme of Delegation. All salary payments are made by BACS.

A reconciliation between the expected payment and actual payment should be carried out on the budget planning software, taking into account adjustments made for new appointments, resignations, pay increases etc. This will be completed by the Academy Business /Partner Manager or Central Finance Team for central staff.

The payroll system automatically calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions. Payments for these amounts are made via the payroll provider by direct debit from the academy or central bank account.

After the payroll has been processed the nominal ledger will be updated by way of posting the payroll journal as provided by the payroll provider. Postings will be made both to the payroll control account and to individual cost centres.

The Academy Business Partner or Finance Team (for central staff) should review the payroll control account each month to ensure the correct amount has been posted from the payroll system, individual cost centres have been correctly updated and to ensure that the control account balances to zero.

On an annual basis the Academy Business Partner or Finance Team (for central staff) must check for each member of staff that the gross pay per the payroll system agrees to the budgeted amount for their contract on the budget planning software and investigate any differences.

6. Purchasing

All purchasing should be carried out in accordance with the Trust Procurement Policy and the finance limits in the Scheme of Delegation.

6.1 Approved Budgets

The Head of Finance will notify the academy budget holder of their approved annual budget prior to the start of the financial year.

It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent.

Routine purchases in line with the Procurement Policy and finance limits in the Scheme of Delegation can be ordered by budget holders.

6.2 Purchase Orders

All orders must be made, or confirmed, in writing using an official order form. Orders must bear an authorised signature. The budget holder will check to ensure adequate budgetary provision exists before placing the order.

Approved orders will be recorded in the purchase order module of the financial information system which allocates a unique reference number. Once processed and approved, orders will be dispatched to the supplier.

6.3 Receipt of Goods

Appropriate arrangements must be made for the delivery of the goods or service.

On receipt a detailed check of the goods received must be made against the goods received note (GRN) and a record made of any discrepancies between the goods delivered and the GRN. Discrepancies should be discussed with the supplier of the goods without delay. The GRN must be recorded onto PSF 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 Academy Business Partner, or Finance team (for central) must be informed and keep a central record of all goods returned to suppliers that are awaiting credit notes. If the invoice arrives, it must be put on hold and not paid until an appropriate credit note has been received for the item(s) that were missing or faulty. The credit note should be deducted from the total value when payment for any residual balance is made.

Invoices received must be recorded onto PSF in a timely manner in accordance with the terms of supply. Care must be taken by the budget holder to ensure that discounts receivable are obtained.

6.4 Invoice Processing

Payments will only be made against invoices which have been authorised for payment by the appropriate budget holder, This process will ensure that:

- the goods have been received, examined and approved with regard to quality and quantity, or that services rendered or work done is satisfactory;
- where appropriate, it is matched to the order;
- invoice details (quantity, price, arithmetic) are correct;
- the invoice has not previously been passed for payment;
- an appropriate cost centre is quoted.

7. Income

7.1 Main Income

The main sources of income for the Trust are the grants from the DfE and ESFA such as General Annual Grant (GAG) funding and School Condition Allocation (SCA). The receipt of these sums is monitored directly by The Head of Finance who is responsible for ensuring that all grants due to the Trust are collected.

The Trust also obtains income from:

- students, mainly for trips
- the public, mainly for lettings

Income must be accounted for separately from related expenditure. No deductions may be

made from any cash collected on behalf of the Trust, except with the exceptional consent of the Head of Finance.

7.2 Other Grants

In addition to GAG funding from the ESFA, the Trust may be awarded other specific government funding e.g., additional special educational needs funding etc. This funding may be from the ESFA or Local Authority. All government funding will be spent in accordance with the terms and conditions imposed and accurately recorded. In addition to government funding, the Trust may be awarded additional grants from time to time relating to specific projects e.g., charitable grants. All funding and grants will be spent in accordance with the terms and conditions imposed, accurately recorded as income specific to a certain project and audited externally annually.

The receipt of these sums is monitored directly by the Academy Business Partner who is responsible for ensuring that all grants due to the academy are collected. They are responsible for recording income and expenditure for each grant, providing a reconciliation within the monthly management accounts, if required.

7.3 Trips

A lead member of academy staff (usually a teacher) must be appointed for each trip to take responsibility for the collection of sums due. The lead staff member must prepare a record for each student intending to go on the trip showing the amount due. A copy of the record must be given to the academy office.

Where appropriate, the academy office should use online payment portals such as 'ParentPay' to collect fees and other charges from students and / or their parents/ guardians. The use of online payment portals as the preferred method of payment should be encouraged and promoted. Any monies received must be paid to the academy office promptly. Official receipts should be issued for all cash and cheques received where no other formal documentation exists.

The Academy office 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 regular basis and the lead teacher is responsible for chasing the outstanding amounts in accordance with the Academy Debt Collection Policy.

7.4 Lettings

The policy for lettings of premises is contained in a Hiring and Lettings Terms and Conditions document.

The Academy Office is responsible for maintaining records of lettings and bookings of facilities and equipment and for identifying the sums due from each organisation. Details of organisations using the facilities must be shared with the Academy Business Partner who will establish a sales ledger account and produce a sales invoice from the accounting system for any amounts due.

Debts must be managed in line with the Trust Debt Recovery Policy.

Organisations using the facilities should be instructed to send all payments to the Academy's

bank account or to make payment via the Academy's PDQ machine. Appropriate records for PDQ payments must be kept and passed to the Finance Team without delay. Should cash or cheques be received this must be checked, a receipt issued and monies passed to the academy office for banking without delay. Official receipts should be issued for all cash and cheques received where no other formal documentation exists.

7.5 Custody

All cash and cheques must be kept in the Academy safe prior to banking. Custody of all cash holdings must comply with the requirements of the Trust's insurers, which depends on the specification of the safe. Banking should take place every week or more frequently if the sums collected exceed the insurance limit on the Academy safe.

Monies collected must be banked in their entirety in the appropriate bank account with the exception of any monies being 'banked to petty cash' on PSF. The academy business Partner is responsible for reconciling the sums collected, the sums deposited at the bank and the sums posted to the accounting system.

8. Cash Management

8.1 Bank Accounts

The opening of all accounts must be authorised and operated in accordance with the Scheme of Delegation, including any transfers between accounts and authorised signature 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.

8.2 Deposits

Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include:

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

8.3 Payments

All payments require the signatures of two of the authorised signatories. This provision applies to all accounts, public or private, operated by or on behalf of the Trust.

8.4 Administration

The Head of Finance and finance team staff must ensure bank statements are received regularly and that reconciliations are performed at least on a monthly basis. Reconciliation procedures must ensure that:

- all bank accounts are reconciled to the cash book
- reconciliations are prepared by the Academy office or finance staff
- reconciliations are subject to an independent regular review carried out by The

- Head of Finance or a member of the finance team staff
- adjustments arising are dealt with promptly

8.5 Petty Cash Accounts

The Trust is moving towards removing cash from the organisation entirely but in few locations petty cash remains. The control of petty cash is the responsibility of the Academy Business Manager/Partner and includes safe storage and appropriate authorised expenditure. Petty cash should be for small and incidental expenditure.

8.5.1 Petty Cash Deposits

Deposits to petty cash should be via the 'receipts to petty cash' facility in the Trust Finance System PSF. This facility allows you to record the income to the appropriate nominal (eg pupil meals) and at the same time ensures the other side of the journal banks the cash to the petty cash tin. All other cash receipts for whatever reason should be paid directly into the bank.

8.5.2 Petty Cash Payments and Withdrawals

In the interests of security, petty cash payments will be limited to the individual academy authorisation limit, in accordance with the Scheme of Delegation. Higher value payments should be made using an alternative purchasing procedure (e.g., staff expenses or credit card, see Staff Expenses Policy and Procurement Policy).

8.5.3 Petty Cash Administration

The Academy Business Manager/Partner is responsible for ensuring that all transactions are entered into the petty cash records on a regular basis and regular, unannounced cash counts may be undertaken to ensure that the cash balance reconciles to supporting documentation.

8.5.4 Petty Cash Physical Security

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

8.6 Cash Flow Forecasts

The Head of Finance is responsible for preparing cash flow forecasts to ensure that the Trust has sufficient funds available to pay for day-to-day operations. If significant balances can be foreseen, steps should be taken to invest the extra funds. Similarly plans should be made to transfer funds from another bank account or to re-profile Income and Expenditure to cover potential cash shortages.

8.7 Investments

Investments must be made only in accordance with the Trust Investment Policy.

9. Fixed Assets

Fixed assets must be in accordance with the Trust Capital Policy and recorded following the asset register procedures for school documentation.

10. VAT

10.1 VAT 126 Claims

Under legislation, VAT claims can be made on expenditure supporting the Trust's core business purposes according to the simplified arrangement as detailed in the VAT Information Sheet 09/11 issued in June 2011.

Following full reconciliation of all accounts, timely claims for VAT reimbursement will be made to HMRC on form 126 by the Central Finance Team.

10.2 VAT Registration

Separate to the activities mentioned above the Trust may choose to register for VAT in relation to its non-business activities.

The Trust is not registered for VAT at present and this is kept under ongoing review with the Trust's External Auditors.

11. Gifts and Hospitality

The receipt of gifts or excessive hospitality can damage the Trust and/or academy's reputation and possibly lead to prosecutions for corruption.

The Trust has a separate Gifts and Hospitality Policy that seeks to protect members, trustees and staff from suspicion of dishonesty and ensure that they are free from any conflict of interest with respect to the acceptance or provision of gifts, hospitality, or any other inducement from or to suppliers by provision of goods or services to the Trust Central Team or one of the academies.

12. Whistleblowing Policy

Whistleblowing has been defined as:

'the disclosure by an employee or professional of confidential information which relates to some danger, fraud or other illegal or unethical conduct connected with the work place, be it of the employee or his/her fellow employees'

Statutory protection for employees who whistle blow is provided by the Public Interest Disclosure Act 1998 ("PIDA"). The PIDA protects employees against victimisation if they make a protected disclosure within the meaning of the PIDA and speak out about concerns about conduct or practice within the school which is potentially illegal, corrupt, improper, unsafe or

unethical or which amounts to malpractice.

The Trust has adopted a Whistleblowing Policy that applies to all Trust staff including full and part time, casual, temporary, substitute staff and to individuals undertaking work experience. It also covers members and trustees.

13. EFSA Reporting Requirements

13.1 Financial Management and Governance Statement (FMGS)

The FMGS Return needs to be completed within 4 months of the date on which the Academy is opened. This is as a one-off return.

For schools converting to academy status and joining the Trust, the EFSA will take its assurance from alternative sources e.g. previous FMGS submissions, prior years audited accounts and achievements.

13.2 Annual Budget

The Trust must monitor and manage its own budget to ensure effective financial oversight of public funds.

The EFSA requires academy trusts to submit their budget forecast returns using the online form by the annual deadline.

New academies joining the Trust on or after 1 April are required to submit their budget forecast return 6 weeks after receiving their final funding letter or by the annual budget deadline (usually July) of the same year, depending which is later.

The Trust must submit a consolidated budget forecast return aggregating the budgets of each of its academies.

If a new academy joins the Trust on or after the July deadline, a separate return for that academy is required.

13.3 Statutory Accounts

As a charitable company the Trust must comply with company law as set out in the Companies Act 2006. This includes a requirement to prepare an Annual report and financial statement ('annual accounts') and for these to be independently audited by a registered auditor.

Financial Statements should be prepared to 31st August each year.

The Annual accounts must be submitted by 31st December.

A copy of the Annual report and audited final accounts must be sent to Companies House and to the Charity Commission by no later than 30 June, 9 months after the end of the accounting year.

13.4 March Accounts Return and Annual Accounts Return

The Trust is required to submit to EFSA an annual accounts return by and annual deadline (usually January).

If a new Academy joins the Trust between 1 September and 31 March it will instead need to complete by 31 May a separate accounts return, issued by the EFSA in March and described as the March accounts return.

The return should only cover those academies that opened within that period.