

Financial Regulations Policy/Manual

It is the responsibility of all Cathedral Schools Trust employees and volunteers to familiarise themselves with the contents of all Trust policies and any amendments hereafter.

Changes

Version	Date	Amended by	Recipients	Purpose
1	22 November 2018	CST Finance Committee	Members of CST, every Trustee, each Local Governor, all Cathedral Schools Trust employees and volunteers and others at the discretion of the Chairman of the Trustees of CST. CST Website updated.	Annual Review – changes to statutory bodies plus local changes to processes.
2	29 November 2019	CST Finance Committee		Annual Review – changes to statutory bodies plus local changes to processes.
3	30 November 2020	CST Finance Committee		Annual Review – changes to statutory bodies plus local changes to processes.

Alterations

This Scheme may be altered, added to or repealed by a majority resolution of the Trustees of CST in a general meeting.

Approvals (Every year)

Cathedral Schools Trust

Version	Date	Approved by
1	4 December 2017	CST Trustees
2	4 December 2018	CST Trustees
3	12 December 2019	CST Trustees
4	10 December 2020	CST Trustees

Associated Documentation

Associated documentation		
Document	Owner/ Author	Published/ Approved
Trust funding agreement	Board of Trustees	March 2008
Deed of Variation	Board of Trustees	March 2015
Deed of Variation	Board of Trustees	January 2016
Deed of Variation	Board of Trustees	July 2017
Supplemental funding agreement CPS	Board of Trustees	January 2016
Supplemental funding agreement VPS	Board of Trustees	July 2017
Supplemental funding agreement HPPS	Board of Trustees	July 2017
Supplemental funding agreement SKA	Board of Trustees	October 2018
Supplemental funding agreement SPPS	Board of Trustees	April 2019
Supplemental funding agreement Trinity	Board of Trustees	May 2019
Scheme of Governance	Board of Trustees	June 2016
Decision Matrix	Board of Trustees	June 2016
Academies Financial Handbook	Education Funding Agency	July 2020
Academies Accounts Direction	Education and Skills Funding Agency	June 2020
Where later versions have been approved or published the latest documents will be treated as current		

Cathedral Schools Trust

Contents	Page
Introduction	6
Financial Planning	6
The budget cycle	6
Budget	6
Other Government Funding	7
Other Grants and specific funding	7
Funds held in trust	8
Virements	8
Revised Budget	8
Budget Forecast Returns	8
Monitoring and review (including management accounts)	8
Independent checking procedures	9
Review of regularity	9
Annual accounts	10
Value for money statement	10
Audit arrangements	10
Work undertaken during accounting period	10
Work undertaken for the year end	11
Accounts Return	11
Document retention	11
System Access	11
Back-up Procedures	12
Transaction processing	12
Transaction reports	12
Reconciliations	12
Cash Management	13
Bank Accounts	13
Deposits	13
Payments and withdrawals	13
Administration	14
Petty Cash	14
Payments	14
Administration	14
E-procurement and Credit Card Payments	15
BACS Payments	15
Investments	16
Reserves	16
Capital Reserves	16
Endowments	16
Payroll	17
Staff Appointments	17
Payroll Administration	17
Payments	18

Cathedral Schools Trust

Salary advances	18
Overtime	18
Severance payments	19
Compensation payments	19
Ex-gratia payments	19
Income	19
ESFA grants	19
Other grants	19
Non-curriculum Trips	19
Curriculum Trips	20
Catering	20
Lettings	21
Sundry income	21
Gift aid	21
Bad debts	21
Purchasing	22
Routine Purchasing	22
E-procurement	22
Orders	23
Orders over £5,000 but less than £10,000	24
Orders over £10,000 but less than £50,000	24
Orders over £50,000 but less than £100,000	24
Orders over £100,000 but less than the OJEU threshold	24
Official Journal of the European Union	24
Trading with connected and related parties	24
Goods and services for private use	25
Forms of Tenders	25
Preparation for Tender	26
Invitation to Tender	26
Tender Acceptance Procedures	26
Tender Opening Procedures	26
Tendering Procedures	27
Insurance	27
Trustees and Governor Expenses	27
Gifts	28
Energy Management	28
Fraud	29
Whistleblowing	29
Leasing	29
VAT	29
Fixed assets	29
Asset register	29
Security of assets	30
Disposals	30
Loan of Assets	30

Cathedral Schools Trust

Appendix A - Scheme of Delegation	31-33
Appendix B - Investment Policy	34/35
Appendix C - Reserves Policy	36/37

Commented [1]: Has become a stand alone Policy now

Cathedral Schools Trust

Introduction

1. The purpose of this Financial Regulations Manual (Finance Manual) is to ensure that the Trust maintains and develops systems of financial control, which conform with 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).
2. The Trust must comply with the principles of financial control outlined in the current Academies Financial Handbook. This manual expands on that and provides detailed information on the Trust's accounting procedures and systems. This manual should be read by all staff involved with financial systems.
3. This manual serves as an adjunct to the Scheme of Delegation (Appendix A) providing information on the day-to-day operations and practicalities forming from this financial regulation manual.

Financial Planning

4. The Trust prepares rolling 3 year budgets.

The budget cycle

5. The budget cycle is as follows:
 - Autumn Terms 1 and 2 (Sept – Dec)
 - o Implementation of current budget plan
 - o Monitoring expenditure (continuous-monthly)
 - o Reconciliation and closure of previous financial year
 - Spring Terms 3 and 4 (Jan – Mar)
 - o Monitoring and reviewing of year's budget
 - o Revised forecast where appropriate
 - o Pre-planning new financial year
 - Summer Terms 5 and 6 (Apr – Aug)
 - o Planning for forthcoming year
 - o Preparation and submission of financial budget plan
 - o Review of current year's budget

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.

Budget

6. The **Finance Director** is responsible for preparing and obtaining approval for the annual Trust budget. The Executive Principal, Finance Committee and Board of Trustees must approve the Trust's annual budget.
7. Each constituent academy schools' Local Governing Body is responsible for reviewing the budget for their school, and making a recommendation to the Trust for approval,

Cathedral Schools Trust

as part of the overall Trust annual budget.

8. The annual budget will reflect the best estimate of the resources available to the Trust for the forthcoming year and will detail how those resources are to be utilised. There should be a clear link between the development plan objectives and the budgeted utilisation of resources.
9. The budgetary planning process will incorporate the following elements:
 - forecasts of the likely number of pupils to estimate the amount of General Annual Grant (GAG)
 - latest estimate of other ESFA funding e.g. pupil premium, Yr7 Catch-Up or other specific funds
 - review of other income sources available to the Trust
 - review of past performance against budgets
 - identification of potential efficiency savings
 - review of key areas of income and expenditure headings in light of the Trust's Strategic Plan
 - reviewing the impact of external factors e.g. pay increases, inflation
 - all carry forward reserves balances
 - any unspent grants or earmarked funds remaining from the previous financial year
 - any funds held centrally by the Trust
10. 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 reductions and efficiencies can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and expenditure results in at least a breakeven position. In exceptional circumstances an in year deficit may be proposed, if carried forward reserves balances will support an in year deficit.

Other Government Funding

11. In addition to GAG funding from ESFA the trust may be awarded specific funding for other projects e.g. |School Condition Allocation , MAT Development and Improvement Funding, Additional Special Educational Needs funding etc. This funding may be directly from the Department of Education or Local Authority. All government funding will be spent in accordance with the terms and conditions imposed, accurately recorded as government income (restricted) and audited externally annually, as appropriate.
12. The **Finance Director** is responsible for recording income and expenditure for each grant, providing a reconciliation within the monthly management accounts.

Cathedral Schools Trust

Other Grants and specific funding

13. In addition to the GAG funding from the ESFA and other government funding, the Trust may be awarded additional grants from time to time relating to specific projects e.g. Sport England Funding, Charitable Grants etc. All applications for additional external funding must be approved and supported by the Board of Trustees. All external 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 as appropriate.
14. The **Finance Director** is responsible for recording income and expenditure for each grant, providing a reconciliation within the monthly management accounts.

Funds held in trust

15. Where funds are held in trust the **Finance Director** 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 memorandum and articles.

Virements

16. The **Finance Director** is given delegated power to vire from one budget to another.
17. Virements can be made from pay to non-pay budgets lines, but not from non-pay to pay budgets lines, unless the commitment is for the current budget year only.
18. All virements exceeding £10,000 or 2% of the budget shall require prior approval from the **Finance Committee**.

Revised Budget

19. Monitoring and analysis of the agreed budget should be carried out on a monthly basis by the **Accounting Officer** and **Finance Director** and reports forwarded to **Finance Committee and the Chair of the Trust**. Where significant variations to the agreed budget are identified or where a number of substantial virements have been approved by the **Finance Committee** and or where significant staff changes have occurred in-year, then a Revised Budget should be prepared and approved by the Board of Trustees. This Revised Budget should then form the basis of analysis of all income and expenditure until the financial year end.

Budget Forecast Returns

20. The approved budget must be submitted to ESFA by the deadlines published each year by the **Finance Director**. The **Finance Director** is responsible for establishing a timetable, which allows sufficient time for the approval process and ensures that the submission date is met.

Cathedral Schools Trust

Monitoring and review (including management accounts)

21. Monthly reports are prepared by **the Finance Director**. The reports include:

- actual income and expenditure against budget
- full year forecast of income and expenditure against budget
- capital income and expenditure
- balance sheet
- cash flow forecast
- a financial commentary highlighting and explaining in particular significant variances
- Review of key performance indicators

22. Any potential overspend against the budget must in the first instance be discussed with the **Executive Principal**.

23. The monthly reports are sent to the **Executive Principal, Finance Committee** and the **Chair of the Board of Trustees**. The content of the monthly reports will vary from time to time and will be agreed with the finance committees and LGB's.

24. The Finance Director should present the most recent management accounts at each Finance Committee.

Independent checking procedures

25. The Trust manages a programme of risk review and checking of financial controls. The Trust has appointed an internal auditor to check the Trust's internal controls. The work of the internal audit is reviewed by the finance committee and an annual plan agreed in advance. The work conducted is done with reference to the Trust's requirement to report to the ESFA annually about its internal scrutiny.

Review of regularity

26. The **Executive Principal** (in their role as Accounting Officer) reviews the following documents termly to ensure the Trust is working within the boundaries of regularity and propriety:

- reviews management accounts
- reviews compliance against the scheme of delegation
- reviews transactions for evidence of connected party transactions
- value for money practice

27. The Accounting Officer has delegated the following responsibilities to the **Finance Director** :

- adherence to tendering policies
- review of transactions confirming in line with delegated authorities as set out by the Academies Financial Handbook
- review of trustees/governors' minutes

Cathedral Schools Trust

28. If there is a significant departure from the anticipated budget surplus or deficit this will be escalated to the **Finance Committee** as part of the monthly management accounts procedure.

Annual accounts

29. The Trust must prepare annual audited financial statements for the accounting period to 31 August.
30. The accounts are overseen by the **Finance Director** working with the auditors to get them ready for Trustees to sign off.
31. The accounts are then submitted as follows:
- by 31 December – to ESFA
 - by 31 January – published on our own website
 - by 31 May – to Companies House

Value for money statement

32. As part of the annual accounts the trust must include examples of value for money.
33. The **Finance Director** is responsible for collating the examples which are then confirmed by the finance committee.

Audit arrangements

34. External auditors must be appointed in accordance with the Academies Financial Handbook.
35. The **Finance Director** is responsible for managing the audit process, by liaising with the auditors, arranging the timetable for accounts and audit completion and ensuring deadlines are met.

Work undertaken during accounting period

36. The **Finance Director** is responsible for the following tasks to be undertaken during the year to facilitate a smooth audit process:
- reviewing the structure of the trial balance
 - maintaining a fixed asset register
 - depreciation charges
 - maintaining income and expenditure records (including filing of invoices)
 - reviewing aged debtors for any provisions required
 - maintaining a record of governors/trustees interests, related and connected party transactions
 - control account reconciliations (bank, wages, debtors, creditors)

Cathedral Schools Trust

- maintaining a record of meeting attendance
- monitoring & reporting to the Accounting Officer and Board of Trustees

Work undertaken for the year end

37. The **Finance Director** is responsible for the following tasks to be undertaken at the end of the year to facilitate a smooth audit process:

- prepayments and accruals
- control account reconciliations (bank, wages, debtors, creditors)
- close down of the purchase ledgers
- close down of the sales ledgers and aged debtors
- pension valuations
- teachers pension scheme audit (as per the pension scheme year)

Accounts Return

38. The Trust must prepare an annual accounts return for the accounting period to 31 August, which is submitted to the ESFA by 31st January.

39. The accounts return is overseen by the **Finance Director** working with the auditors to get it submitted to the ESFA.

Document retention

40. Documents are retained for the following amount of time:

- Finance records – current year plus preceding 6 years
- Insurance records - employer liability policy records minimum of 6 maximum of 40 years - property claims 3 years - personal injury 6 years
- Supply cover insurance – current year plus preceding 6 years
- Payroll and travel records – current year plus preceding 6 years
- Personnel records – 5 years after an employee has left
- All student files until the student reaches the age of 21

Accounting system

41. All the financial transactions of the Trust must be recorded into **PS Financials**, the computerised financial information accounting system.

System Access

42. Access to the system is password restricted **to the Finance Team**, and those who have been authorised by the Accounting Officer e.g. external accounting providers and auditors.

43. The **Trust ICT Director** is responsible for implementing a system which ensures

Cathedral Schools Trust

that passwords are changed regularly

Back-up Procedures

44. The **Trust ICT Director** is responsible for ensuring that there are effective back up procedures for the system. Data is backed up on a suitable medium or server and the copies stored in a secure place (in a fireproof container) and back-up copies are taken on at least a daily basis, for the legacy system Resource. Data is backed up to the cloud for the new PS Financials system, security of which is the responsibility of the **Trust ICT Director**.
45. The disaster recovery plan explains what to do in the event of loss of accounting facilities or financial data. Copies are held in the fireproof container, or offsite.

Transaction processing

46. All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual.
47. All journal entries are supported by appropriate documentation, prior to being input to the accounting system.
48. Bank transactions are input by **Finance Officers** and reviewed by the **Finance Manager**.

Transaction reports

49. The **Finance Manager** reviews the following system reports monthly to ensure that only regular transactions are posted to the accounting system:
 - standing data amendment reports for the payroll, purchase ledger and sales ledger;
 - management accounts summarising expenditure and income against budget at budget holder level

Reconciliations

50. The **Finance Manager** is responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:
 - sales ledger control account
 - purchase ledger control account
 - payroll control account
 - VAT control account
 - all suspense accounts
 - bank balance per the nominal ledger to the bank statement
51. Any unusual or long outstanding reconciling items are brought to the attention of the Finance **Director** and dealt with according to the bad debt limits in this manual.

Cathedral Schools Trust

Banking

Cash Management

52. 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 **Board of Trustees** must authorise the opening of all bank accounts
- 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 on-line 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 inform the bank, in writing, that their accounts must not become overdrawn
- the Trust must ensure there are sufficient funds to cover all payments

Deposits

53. A deposit must be entered on a copy paying-in slip or listed on a spreadsheet with the following details:

- the amount of the deposit
- a reference (for example the number of the receipt or the name of the debtor)

54. The **Finance Officers** are responsible for updating the accounting system (within 2 working days) for deposits placed.

Payments and withdrawals

55. All cheques, BACS payments and other instruments authorising withdrawal from Trust bank accounts over £1,000 must bear the signatures of two of the following authorised signatories:

- Executive Principal
- Finance Director
- Finance Manager
- Finance Officers (Can only sign with one of the other signatures)
- Trust Operations Manager

56. All cheques, BACS payments and other instruments authorising withdrawal from Trust bank accounts up to £1,000 must bear the one signature from the following authorised signatories:

- Executive Principal
- Finance Director
- Finance Manager

Cathedral Schools Trust

- Finance Officers
- Trust Operations Manager

57. This provision applies to all accounts, public or private, operated by or on behalf of any Local Governing Body of the Trust *including funds held in trust*.

58. The **Finance Officers** are responsible for updating the accounting system for payments made.

Administration

59. The **Finance Director** ensures 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 Trust's cash book
- reconciliations are prepared by the Finance Department
- reconciliations are subject to an independent monthly review carried out by **Finance Manager** or in his/her absence the **Finance Director**
- adjustments arising are dealt with promptly

Petty Cash

60. The Trust maintains a maximum cash balance of £1,500 for the purchase of minor items, which is held in the office safe and is the responsibility of the **Finance Officers**.

61. The petty cash float must not be used for:

- cashing personal cheques
- paying staff loans

Payments

62. In the interests of security, petty cash payments are limited to £50 where practical. Payments are made on production of a valid receipt or other proof of payment and are subject to the same authorisation procedures as purchases from the main bank account.

Administration

63. The petty cash float is maintained on the imprest system and the float is only reimbursed from the main bank account.

64. The **Finance Officers** reconcile the petty cash float monthly. The reconciliation is then reviewed by **Finance Manager** and initialled as evidence of review.

65. The **Finance Director** carries out a spot check of the petty cash float once a term.

Cathedral Schools Trust

E-procurement and Credit Card Payments

66. The Trust credit cards are used only when it is not practical to use the BACS system, or where buying online by credit card can result in greater value for money. It is used mostly for internet purchases and to buy refreshments for meetings.
67. The cards are kept in safes in each academy school and are only used by the named card holders:
 - **Executive Principal**
 - **Finance Director**
 - **Finance Manager**
 - **Headteachers**
 - **School Business Managers**
68. Any department wishing to make a purchase on a credit card must complete an order form and pass this to the **Business Managers, Finance Manager** or other authorised cardholder to make the purchase. The Budget Holder must sign all order forms detailing the purchase.
69. When the credit card statement arrives there will be a VAT invoice for all purchases, or other online order confirmation and it is sometimes necessary to chase suppliers for this. A cashbook journal is entered for each individual entry on the statement.
70. Each cardholder is responsible for signing his or her credit card statement and returning with supporting documents, authorising it for payment, and also confirming that purchases are made in line with purchasing procedures.
71. The credit card statements, along with all the relevant supporting documentation are then processed on the finance system by the schools and back up documents scanned on to the system. The **Finance Director** will then check a sample of the transactions on a termly basis.

BACS Payments

72. Payment runs are prepared from the Trust's Purchase Ledger, taking into account:
 - the ordering and invoicing process has been carried out as per this manual
 - supplier payment terms
 - adequate funds in the Trust's bank account
73. The BACS payment is then prepared by the **Finance Officers** and the BACS payment reports then passed onto two of the bank mandate signatories who check to ensure valid suppliers, invoices and amounts. Random checks of invoices will be carried out. Bank mandate signatories will then approve the BACS payment run for processing.
74. Normally, BACS payments are processed within a month of receipt of invoice, although

Cathedral Schools Trust

every effort is made to ensure the school benefits from early payment discounts.

75. The **Finance Manager** ensures that evidence is kept of the employment status test criteria applied, when dealing with payments to individuals. Where an individual has been assessed as self-employed, the **Finance Manager** should request that the individual states his self-employment reference number on any invoice issued to the school. The **Finance Manager** also confirms a supplier's status in reference to IR35.

Investments

76. Investments are made in accordance with written procedures approved by the **Board of Trustees** (Appendix B).
77. All investments are recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

Reserves

78. Reserves are managed in accordance with the Reserves Policy (Appendix C).
79. Any overall surpluses or deficits (reserves) at the end of the year are carried over to the following year.
80. The **Executive Principal** as Accounting Officer must inform ESFA immediately if a deficit is anticipated.
81. If the Trust is anticipating a deficit at the end of any financial year, the **Board of Trustees** and **Executive Principal** and **Finance Director** have a responsibility to ensure action is taken at the earliest opportunity to address this issue. The **Board of Trustees** must ensure that a recovery plan is submitted and approved by the ESFA.
82. The Trust undertakes to ensure that a contingency reserve equal to one month's gross payroll cost.

Capital Reserves

83. Any overall surpluses at the end of the year are carried over to the following year.
84. It is the responsibility of **Finance Director** to keep accurate records of the capital funds, especially where grants have been received for capital projects.

Endowments

85. The **Finance Manager** is responsible for accounting for the transactions within any endowment funds.
86. Any transactions are in line with the memorandum and articles.

Cathedral Schools Trust

Payroll

Staff Appointments

87. The **Board of Trustees** approves the Trust staffing structure as part of the annual budgeting process. Changes to increase or significantly reorganise this establishment requires the express approval in the first instance of the **Finance Committee** who must ensure that adequate budgetary provision exists for any establishment changes, following that approval must be sought by the **Board of Trustees**.
88. The **Executive Principal** has authority to appoint staff within the authorised staffing structure except for **Executive Principal, Finance Director and Headteachers/Principals** whose appointments require the approval of the **Board of Trustees**. Unless such authority is delegated to a Nomination and Remunerations Committee, or to a **Headteacher** in relation to his or her own school. The **Recruitment and HR Officer** or relevant school **Business Manager** maintains personnel files for all members of staff which include contracts of employment. All personnel changes must be notified, in writing, to the **Recruitment and HR Officer**.
89. The **DBS Officer** and school **Business Managers** are responsible for obtaining the relevant DBS checks and ensuring these are retained on file

Payroll Administration

90. Payroll is administered through the Trust's internal department via iTrent.
91. All staff are paid monthly by the Trust by BACS. A master file is created for each employee which records:
 - salary
 - bank account details
 - taxation status
 - personal details
 - any deductions or allowances payable
 - other legal and relevant details
92. New employee payroll records can only be created by the HR department and processed by the Payroll Officer. Any employee payroll record (standing data) amendments made are processed by the Payroll Officer and approved by the **Finance Manager**.
93. **Recruitment and HR Officer** or school **Business Manager** must complete a monthly staff return which provides details for all staff in the section of sickness and other absences during the month and any new appointments or terminations. Staff returns should be sent to the **Finance Department** who then reflect in the payroll for processing.
94. Timesheets for additional hours, temporary work or overtime undertaken are

Cathedral Schools Trust

completed by the employee. In turn this is authorised by the employees line manager, and communicated to the **Finance Team** for inclusion in the payroll.

95. Each month the Finance Department will notify relevant people of the deadline for submitted payroll information.
96. The schools are responsible for confirming absence and sickness which is recorded in iTrent. The Payroll Officer will ensure that any absence or sickness which affects pay is checked for its accuracy.

Payments

97. Before payments are dispatched a report of net pay by employee is produced and reconciled to the previous month's net pay with explanations noted and then reviewed and signed by the **Finance Manager** or **Finance Director** in his or her absence. Authority to release the BACS payroll payment will be by two bank signatories.
98. All salary payments are made by BACS.
99. The **Finance Manager** prepares a reconciliation between the current month's and the previous month's gross salary payments showing adjustments made for new appointments, resignations, pay increases etc. This reconciliation is reviewed and signed by **Finance Director and Executive Principal**.
100. The payroll system automatically calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions. The amounts payable are summarised on the gross to net pay print and BACS payments for these amounts are prepared by the Payroll Officer and authorised for payment by two bank signatories.
101. After the payroll has been processed the nominal ledger postings will be made both to the payroll control account and to individual cost centres. The **Finance Manager** 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 identify any amounts posted to the suspense account.
102. Each month the gross pay per the payroll system is agreed in total to the data held on SIMS.

Salary advances

103. The trust does not make salary advances, unless a new staff member joins mid-month and misses the payroll cut-off and requires an advance in their first month. The only other exception to this is where there is an error in the payroll for a staff member which has led to them being underpaid. Any such advances will be authorised in accordance with the bank mandate.

Cathedral Schools Trust

Overtime

104. Overtime is recorded by the individual, authorised by their line manager and submitted by the deadline as advised by the Finance Department.
105. Claim forms must not be submitted prior to work having been undertaken.
106. No payments for work undertaken will be made other than via the payroll system.

Severance payments

107. The Trust is able to self-approve the non-contractual element of severance payments up to £50,000 before income tax and other deductions. A business case must be presented before agreeing a payment, using the form provided by ESFA on Gov.uk.
108. Where the non-contractual element is on or over £50,000 gross (before income tax and other deductions) prior approval from ESFA must be sought.
109. The **Executive Principal** must sign off and review each business case, which should include a value for money assessment.

Compensation payments

110. The Trust is able to self-approve compensation payments under £50,000 but must base its decision on a robust business including a value for money assessment.
111. Any compensation payments over £50,000 must be submitted to ESFA for prior approval.

Ex-gratia payments

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

Income

ESFA grants

113. The main sources of income for the Trust are the grants from the ESFA. The receipt of these sums is monitored directly by the **Finance Director** who is responsible for ensuring that all grants due to the Trust are collected.

Other grants

114. The receipt of these sums is monitored directly by the **Finance Director** who is responsible for ensuring that all grants due to the Trust are collected.

Non-curriculum Trips

115. A lead member of staff must be appointed for each such trip to take responsibility for the collection of sums due. The lead teacher must prepare a record for each student intending to go on the trip showing the amount due. A copy of the record must be given to the Finance Department.
116. Parents should make payments to the Finance Department, using the online payments systems in place at each school. If a cash payment is made a receipt must be issued

Cathedral Schools Trust

and the value of the receipt and the number of the receipt recorded against the student making the payment.

117. The Finance Department 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 fortnightly basis and the lead teacher is responsible for chasing the outstanding amounts.
118. Trips should be run at cost price, although allowance can be made for administrative fees and additional staff cover. Any surplus greater than £10 per pupil is redistributed to parents.

Curriculum Trips

119. A lead member of staff must be appointed for each such trip to take responsibility for the collection of sums due. The lead teacher must prepare a record for each student intending to go on the trip showing the amount due. A copy of the record must be given to the Finance Department.
120. Parents should make payments to the Finance Department, using the online payments systems in place at each school.
121. The Finance Department should record the income on the finance system as departmental income. The lead teacher has access to these records and should monitor and chase the outstanding amounts.
122. Trips should be run at cost price, although allowance can be made for administrative fees and additional staff cover. Any surplus greater than £10 per pupil is redistributed to parents.
123. 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.

Catering

124. Responsibility for cash collection and recovery of balances owing lies with the contractor in accordance with the contract terms.
125. The school is responsible for settling invoices from the catering contractor for free school meals, hospitality and lettings in accordance with the standard supplier terms.
126. The contractor is required to supply monthly usage statements to the school business manager in accordance with the contract terms.

Lettings

127. The **Estates Manager, Finance Officers** or school **Business Managers** are

Cathedral Schools Trust

responsible for maintaining records of bookings of sports facilities including the Letting Agreements and for identifying the sums due from each organisation. Payments must be made in advance for the use of facilities, or invoiced promptly.

128. Details of organisations using the sports facilities will be held by the Finance Department who will establish a sales ledger account and produce a sales invoice from the accounting system.
129. Copies of the organisations up to date relevant Public Liability, indemnity, insurance and qualifications (where relevant e.g. H&S, First Aid, Instructor etc.) are kept with the Letting Agreements and are reviewed at least annually.

Sundry income

130. Income from other sources (for example educational consultancy) is priced in consultation with the **Finance Director**. The transaction must not be undertaken until the price has been agreed and the customer has been assessed for ability to pay. The **Finance Director** approves all credit agreements.

Gift aid

131. To ensure the Trust, in its position as an exempt charity, receives all the monies it is entitled to the **Finance Manager**:
 - 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 deductions have been made.

Bad debts

132. 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, or debt collection agency if appropriate.
133. If the debt remains unrecoverable after 6 months, or it becomes clear that the debt will not be repaid, the **Finance Manager** submits a report to the **Finance Director** for approval of write off.
134. The following write off limits apply:
 - Up to £500 to be approved by the Accounting Officer
 - £500 to £1000 to be approved by the Finance Committee
 - Over £1000 and under 1% of total annual income or £45,000 (whichever is smaller per transaction) to be approved by the Board of Trustees
 - Over 1% of total annual income or £45,000 (whichever is smaller per transaction) to be referred to the ESFA for approval

Purchasing

135. The Trust must achieve value for money on all purchases. A large proportion of our

Cathedral Schools Trust

purchases are paid for with public funds and we need to maintain the integrity of these funds by following the general principles of:

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

Routine Purchasing

136. Budget holders will be informed of the budget available to them at least one month before the start of the academic year. It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent. Budget holders are expected to monitor data relating to their own budget areas via reports from the online financial information system.
137. Routine purchases up to £1,000 can be ordered by budget holders. In the first instance a supplier should be chosen from the list of approved suppliers maintained by the Finance Department. A quote or price must always be obtained before any order is placed. If the budget holder considers that better value for money can be obtained by ordering from a supplier not on the approved supplier list the reasons for this decision must be discussed and agreed with the Finance **Manager**. Copies of all quotes must be attached to the order form.

E-procurement

138. Any department wishing to make a purchase on credit card must complete an official order form in the usual manner and pass this to the **Finance Manager, Business Managers**, or other authorised credit card holder to make the purchase. All order forms detailing the purchase must be signed by the Budget Holder.
139. Occasionally the credit card is used to purchase small items where it is not possible to order this elsewhere or where better value for money is achievable.

Orders

140. All orders must be placed using the financial information system which has inbuilt authorisation processes and checks against available budget. Once authorised, the order will be automatically approved by the financial information system.
141. Approved orders will be recorded in the purchase order module of the financial information system which allocates a reference number and commits expenditure. Orders will be dispatched to the supplier from the Finance Department
142. The budget holder must make appropriate arrangements for the delivery of goods to the Trust. On receipt the budget holder must undertake a detailed check of the goods received against the goods received note (GRN) and make a record of any

Cathedral Schools Trust

discrepancies between the goods delivered and the GRN. Discrepancies should be discussed with the supplier of the goods without delay.

143. 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. The Finance Department will keep a central record of all goods returned to suppliers.
144. All invoices should be sent to the Finance Department. Invoice receipt will be recorded by the Finance Department (and the invoice scanned) into the Financial Information System purchase ledger module)
145. The budget holder must make a detailed check against the order and the GRN and these documents must be attached to the invoice before it is sent back to the Finance Department. Budget holders must undertake these checks without undue delay and in any case within 7 days of invoice receipt.
146. If a budget holder is pursuing a query with a supplier the Finance Department must be informed of the query and periodically kept up to date with progress.
147. Twice a month or weekly the Finance Department will produce a list of outstanding invoices from the purchase ledger and this list together with supporting documentation will be reviewed by the **Finance Manager prior to payment.**
148. The Finance Department will then input details of payments to be made to the purchase ledger and generate BACS payment required. The BACS payment runs and associated paperwork must be authorised by two of the nominated cheque signatories unless less than £1,000.
149. BACS payments are input by the Finance Officers and authorised on-line by two signatories in accordance with the banking policy and procedures (see E-procurement and BACS Payments above).

Orders over £5,000 but less than £10,000

150. At least three quotations should be obtained for all orders between over £5,000 but less than £10,000 to identify the best source of the goods/services. Written details of quotations obtained should be prepared and retained by budget holders for audit purposes. Telephone quotes are acceptable if these are evidenced and emailed confirmation of quotes has been received before a purchase decision is made and made in accordance with value for money principles. Orders over £1,000 but under £10,000 must be authorised by the Headteacher in each school or the Finance Director.

Orders over £10,000 but less than £50,000

151. All goods/services ordered with a value over or for a series of contracts which in total exceed £10,000 but less than £50,000 must have three formal written quotations. The **Finance Manager** or school **Business Managers** must be made aware of all purchases at this level so he or she can determine the level of their involvement

Cathedral Schools Trust

required. Orders over £10,000 but under £25,000 must be authorised by the **Finance Director**. Orders over £25,000 but under £50,000 must be authorised by the **Executive Principal**.

Orders over £50,000 but less than £100,000

152. All goods/services ordered with a value over, or for a series of contracts which in total exceed £50,000 but less than £100,000 must have three formal written quotations or be purchased via a framework agreement. **The Finance Director** must be made aware of all purchases at this level so he or she can determine the level of their involvement required.

153. The **Finance Committee** must approve contracts of this level.

Orders over £100,000 but less the OJEU threshold

154. All goods/services ordered with a value over, or for a series of contracts, which in total exceed £100,000 follow a formal tender process. The Finance Director must be made aware of all purchases at this level so he or she can determine the level of their and Executive Principal or Trustee involvement required.

155. The **Finance Director** will agree a formal tendering process before tendering commences.

156. The **Board of Trustees** must approve contracts of this level.

Official Journal of the European Union

157. Purchases over **the OJEU threshold** are to be dealt with in accordance with OJEU regulations.

158. The **Finance Director** will agree a formal tendering process before tendering commences.

159. The **Board of Trustees** must approve contracts of this level

Trading with connected and related parties

160. All members, trustees, local governors of academies within a multi-academy trust, and senior employees make the Finance Director aware of any potential issues with trading with connected or related parties. The Finance Director can assess the potential for conflict in accordance with the Academies Financial Handbook.

161. The Academies Financial Handbook describes how the Trust can address any conflicts, and steps which must be considered in any procurement process.

162. The **Finance Director** will regularly cross check the Trusts' supplier list against Members, Trustees and Governors declared interests to ensure no conflicts have been overlooked.

163. If any conflict cannot be resolved by the **Finance Director**, then he or she must refer

Cathedral Schools Trust

the issue to the **Executive Principal** and **Chair of the Board of Trustees**.

Goods and services for private use

164. No goods are ordered or services provided to include any elements of private use by Members, Trustees, Governors and staff.

Forms of Tenders

165. There are three forms of tender procedure: open, restricted and negotiated and the circumstances in which each procedure should be used are described below.

- **Open Tender:** This is where all potential suppliers are invited to tender. The budget holder must discuss and agree with the **Finance Director** how best to advertise for suppliers e.g. general press, trade journals or to identify all potential suppliers and contact directly if practical. This is the preferred method of tendering, as it is most conducive to competition and the propriety of public funds.

- **Restricted Tender:** This is where suppliers are specifically invited to tender. Restricted tenders are appropriate where:

- there is a need to maintain a balance between the contract value and administrative costs,
- a large number of suppliers would come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the academy's requirements,
- the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.

- **Negotiated Tender:** The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances:

- the above methods have resulted in either no or unacceptable tenders,
- only one or very few suppliers are available,
- extreme urgency exists,
- additional deliveries by the existing supplier are justified.

Preparation for Tender

166. Full consideration should be given to:

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

167. It may be useful after all requirements have been established to rank requirements (e.g. mandatory, desirable and additional) and award marks to suppliers on fulfilment of these requirements to help reach an overall decision.

Cathedral Schools Trust

168. A tender brief must always be prepared and is reviewed by the **Finance Director**.

Invitation to Tender

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

170. An invitation to tender should include the following:

- introduction/background to the project
- scope and objectives of the project
- technical requirements
- implementation of the project
- terms and conditions of tender
- form of response
- dates for decision and work to be delivered

Tender Acceptance Procedures

171. The invitation to tender should state the date and time by which the completed tender document is received by the Trust. Tenders are submitted in plain envelopes clearly marked to indicate they contain tender documents. The envelopes should be time and date stamped on receipt and stored in a secure place prior to tender opening. Tenders received after the submission deadline are not accepted.

Tender Opening Procedures

172. All tenders submitted should be opened at the same time and the tender details should be recorded. Two persons should be present for the opening of tenders as follows:

- Either the **Finance Director** or the **Executive Principal** or a member of **the Finance Committee**.

173. A separate record details the names of the firms submitting tenders and the amount tendered. The record is signed by both people present at the tender opening.

Tendering Procedures

174. The evaluation process should involve at least two people. Those involved should disclose all interests, business and otherwise, that might impact upon their objectivity. If there is a potential conflict of interest then that person must withdraw from the tendering process.

175. Those involved in making a decision must take care not to accept gifts or hospitality from potential suppliers that could compromise or be seen to compromise their independence.

176. Full records should be kept of all criteria used for evaluation and:

- For contract tenders over £50,000 but less than £100,000 a report should be

Cathedral Schools Trust

prepared for the Finance Committee highlighting the relevant issues and recommending a decision.

- For contracts over £100,000 a report should be prepared for the Board of Trustees highlighting the relevant issues and recommending a decision.

177. The accepted tender should be the one that is economically most advantageous to the academy. All parties are then informed of the decision.

Insurance

178. The **Finance Committee** reviews insurance arrangements annually. They ensure that the sums insured are commensurate with the risks and include cover for Trust property when off the premises.

179. The Trust has opted in to the Department for Education's Risk Protection Arrangements.

180. Budget holders must ensure all valuables are kept under lock and key when not being used in a supervised manner.

Trustees and Governor Expenses

181. All Trustees and Governors of this Trust are entitled to claim the actual costs, which they incur as follows:

- childcare or baby-sitting allowances (excluding payments to a current/former spouse or partner)
- cost of care arrangements for an elderly or dependent relative (excluding payments to a current/former spouse or partner)
- the extra costs they incur in performing their duties either because they have special needs or because English is not their first language
- the cost of travel relating only to travel to meetings/training courses at a rate of 45 pence per mile which does not exceed the specified rates for school personnel
- travel and subsistence costs, payable at the current rates specified by the Secretary of State for the Environment, Transport and the Regions, associated with attending national meetings or training events, unless these costs can be claimed from any other source
- telephone charges, photocopying, stationery, postage etc.
- any other justifiable allowances

182. The Board of Trustees acknowledges that:

- Trustees and Governors not be paid attendance allowance
- Trustees and Governors are not reimbursed for loss of earnings

183. Trustees and Governors wishing to make claims under these arrangements, must

Cathedral Schools Trust

complete a claims form from the **Finance Manager** together with the relevant receipts. The form must be submitted to the Finance Department within two weeks of the date when the cost were incurred, when they will be submitted for approval by the Chair of Governors for Governors or Chair of Trustees for Trustees.

184. Claims will be subject to independent audit and may be investigated by the Chair of Trustees (or Chair of Finance in respect of the Chair of Trustees) if they appear excessive or inconsistent.

Gifts

185. Ordinarily such gifts should be rejected, unless they are of negligible value (e.g. diaries, calendars). However, any gifts or hospitality in excess of £50 are reported to the **Executive Principal** in order to protect the individual receiving the gift. This is particularly important where the person receiving the gift is a budget holder, has the ability to influence purchasing decisions or regularly receives reimbursement from the school for items other than travel expenses.

186. Gifts that have been reported are entered onto the gifts and hospitality register.

Energy Management

187. The **Estates Manager** or school **Business Managers** are responsible for recording, monitoring and analysing water, gas and electricity consumption on a monthly basis. Meters should be checked before authorising any invoices from the utilities providers. Any discrepancies or unusual reading should be raised with the **Finance Manager** immediately.
188. The **Estates Manager** or school **Business Managers** ensures that the school's heating system is operated and run as efficiently as possible.
189. The **Finance Director** ensures that the school is purchasing energy at the most competitive prices available.
190. All staff have the responsibility to work in an energy efficient manner at all times (e.g. turning off computers, lights and heating when not required).

Fraud

191. The trust does not tolerate fraud.
192. Where instances of fraud are found the **Executive Principal** will notify the Board of Trustees.
193. Where instances of fraud are found the **Executive Principal** will notify the ESFA if fraud, theft or irregularity exceed £5,000 individually or £5,000 cumulatively in any one year.

Cathedral Schools Trust

Whistleblowing

194. The Trust has a Whistleblowing Policy.

Leasing

195. The Trust will assess all leases and determine whether a lease is an operating or finance lease before any agreement is entered into.

196. The Trust does not require ESFA's approval for operating leases except for some transactions relating to land or buildings.

197. The Trust must seek ESFA prior approval for any finance leases.

198. The Trust must always seek value for money.

VAT

VAT returns

199. The **Finance Manager** is responsible for submitting the VAT returns per month and ensures compliance with HM Revenue and Customs for claiming the correct levels of VAT.

Fixed assets

Asset register

200. All items purchased with a value over the academy's capitalisation limit of £1,000 must be entered on the fixed asset register.

201. The asset register helps:

- ensure that staff take responsibility for the safe custody of assets
- enable independent checks on the safe custody of assets, as a deterrent against theft or misuse
- to manage the effective utilisation of assets and to plan for their replacement
- help the external auditors to draw conclusions on the annual accounts
- support insurance claims in the event of fire, theft, vandalism or other disasters

Security of assets

202. All the items in the register are permanently and visibly marked as the Trust's property.

203. Equipment is, where possible, stored securely when not in use.

204. The Finance Department are responsible for, carrying out physical fixed asset verification checks, at least every three years. Where discrepancies between the physical count and the amount recorded in the register are found these are investigated promptly and, where significant, reported to the **Finance Committee**.

Disposals

205. Disposals, where applicable, are in line with the Academies Financial Handbook.

Cathedral Schools Trust

206. Items which are to be disposed of by sale or destruction up to £25,000 must be authorised for disposal by the **Finance Director** and, where significant, should be sold following competitive tender.
207. Items which are to be disposed of by sale or destruction over £25,000 must be authorised in line with the Scheme of Financial Delegation.

Loan of Assets

208. Items of Trust property must not be removed from Trust premises without the authority of the **Executive Principal**. A record of the loan must be recorded in a loan book and booked back in Trust when it is returned.
209. If assets are on loan for extended periods or to a single member of staff on a regular basis the situation may give rise to a 'benefit-in-kind' for taxation purposes. Loans should therefore be kept under review and any potential benefits discussed with the academy's auditors.

Cathedral Schools Trust

Scheme of Financial Delegated Authority (Appendix A)										
Area	Description	Members	Board of Trustees	Trust Finance Comm	Local Gov Body	Exec Principal	Finance Director	Head-teacher	Business Manager	Budget Holder
Budget setting and monitoring	Approve the Trust annual budget		x							
	Review the Trust annual budget			x						
	Review and recommend individual school annual budget				x					
	Monitor Trust budgets throughout the year			x						
	Monitor individual school budgets throughout the year				x					
	Approval to utilise prior year reserves			x						
Budget amendments	Virements exceeding £10,000 or 2% of the budget			x						
	Virements up to £10,000 or 2% of the annual budget						x			
	Revised Trust annual budget during the year		x							
Purchasing or Contracts	Purchases and contracts over £100,000		x							
	Purchases and contracts between £50,000 and £100,000			x						
	Purchases and contracts between £25,000 and £50,000					x				
	Purchases and contracts						x			

Cathedral Schools Trust

	between £10,000 and £25,000									
	Purchases and contracts between £10,000 and £1,000							x		
	Purchases and contracts between under £1,000								x	x
Writing off debts	Writing off outstanding debts between £1,000 and under the smaller of 1% of total annual income or £45,000		x							
	Writing off outstanding debts between £500 and £1,000			x						
	Writing off outstanding debts up to £500					x				
Fixed assets disposal	Fixed assets disposals over £100,000 (other than land and buildings)		x							
	Fixed assets disposals £50,000 and £100,000 (other than land and buildings)			x						
	Fixed assets disposals between £25,000 and £50,000 (other than land and buildings)					x				
	Fixed assets disposals up to £25,000 (other than land and buildings)							x		
Staffing	Approving annual staffing structure alongside the annual budget		x							
	Approve increases to or significantly reorganise		x							

Cathedral Schools Trust

	staffing structures, or make redundancies									
	Review and recommend increases to or significantly reorganise staffing structures, or make redundancies			x						
	Approve staffing structure changes within the agreed annual budget					x				
Financial manual and policies	Approve financial manual and policies		x							
	Review and recommend financial manual and policies			x						
	Approve banking arrangements		x							
Auditors	Appointment of external auditors	x								
	Appointment of internal auditors			x						

Cathedral Schools Trust

Investment Policy (Appendix B)

1. Purpose and scope

The purpose of the Investments Policy is to set out the processes by which The Board of Trustees will meet their duties under the Academy's Articles of Association and Academies Financial Handbook issued by the ESFA to invest monies surplus to operational requirements in furtherance of the Trust's charitable aims and to ensure that investment risk is properly and prudently managed.

2. Definition of duties

The Academy's Articles gives Trustees the power "to expend the funds of the Trust in such manner as they shall consider most beneficial for the achievement of the Objects and to invest in the name of the Trust such part of the funds as they may see fit and to direct the sale or transposition of any such investments and to expend the proceeds of any such sale in furtherance of the Objects."

Whilst the Board of Trustees has responsibility for the Trust's finances, the Board of Trustees may decide to delegate specific responsibilities to the Finance Committee in its Scheme of Governance, in particular to manage, control and track financial exposure, and ensure value for money; and to review the trust's investments and investment policy on a regular basis.

The Finance Director is responsible for producing reliable cash flow forecasts as a basis for decision making. They are responsible for making investment decisions that comply with this Policy and for providing sufficient management information to the Finance Committee so it can review and monitor investment performance.

3. Objectives

The investment objectives are:

- to achieve best financial return available whilst ensuring that security of deposits takes precedence over revenue maximisation.
- Only invest funds surplus to operational need based on all financial commitments being met without the Trust bank account becoming overdrawn.
- By complying with this policy, all investment decisions should be exercised with care and skill and consequently be in the best interests of the Trust, commanding broad public support.

4. Investment strategy

Investment risk will be managed through asset class selection and diversification to ensure that security of deposits takes precedence over revenue maximisation. For selection, assets will only be considered with banking institutions which have credit ratings assessed by Fitch and or Moody to show good credit quality.

To manage the risk of default, deposits should be spread by banking institution and be subject to a maximum exposure of £500,000 with any PRA authorised institution by the Bank of England (refer to Financial Conduct Authority (FCA)).

Whilst this exceeds the protection limit of £85,000 provided by the FCA it is accepted that it is not always practicable to find a sufficient number of investments of this size that meet the prudent criteria outlined in this policy.

Cathedral Schools Trust

5. Spending and liquidity policy

Decisions on how much to invest and how long to invest for, will be based on operational requirements, demonstrated by cash flow forecasts produced by the Finance Director. The cash flow forecasts will take account of the annual budget and spending plans approved by the Board of Trustees and updated on a monthly basis.

A sufficient balance must be held in the current account so that the Trust's financial commitments can always be met without the bank account going overdrawn. The size of the balance will be determined by a forecast of future need and kept under review.

Investments for a fixed term should not normally exceed one year in order to provide flexibility for the following year's plans, unless a clear rationale is provided for exceeding one year to the benefit of the Trust.

6. Monitoring and review

The Trust has authorized signatories, two of which are required to sign instructions to the deposit taking institution.

The Finance Director will monitor the cash position and cash flow forecast and report investments held and the performance of investments against objectives to the Finance Committee at appropriate intervals, depending on the terms of the investments. For example if investments are held one year then an annual report is appropriate.

This Investment Policy will be reviewed by the Finance Committee on an annual basis to ensure continuing appropriateness.

Cathedral Schools Trust

Appendix C - Reserves Policy

Purpose of the Policy

The Department for Education (DfE) expects educational establishments to use their allocated funding for the full benefit of their current pupils. Therefore, it is important that, if an organisation has a substantial surplus, they have a clear plan for how it will be used to benefit their pupils.

Budget forecasts sent to the Education & Skills Funding Agency (ESFA) must declare any unspent funds expected to be carried forward at the end of the financial year. The ESFA will also verify the sums of unspent funds when it checks the organisation's accounts and highlight and report, to the relevant DfE Boards, any cases where it has serious concerns about a long-term substantial retained surplus with no clear plans for use.

It is important that the reserves strategy takes account of longer-term financial forecasts including 3 year budget projections. The underlying position is of reducing amounts of funding as further cuts in education funding happen which are only partially protected by the Minimum Funding Guarantee.

Types of reserves:

Restricted Revenue Reserve

- This is usually the amount of unspent General Annual Grant from each academy school.

Unrestricted Revenue Reserve

- This is retained funding inherited by the schools upon conversion to academy or self-generated funds through lettings, and other income generation activities.

Reserves strategy

The Trust acknowledges that it has a duty to ensure long-term financial sustainability. Holding a level of reserves is essential to ensure the Trust builds in resilience to overcome emergency situations, short-term cash flow challenges due to delays in funding, in year unexpected changes in funding levels, but also to provide a means to support long-term capital investment, and develop the Trust.

The Trust takes into consideration the reserves levels annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves.

The board takes into consideration the future plans of the Trust, the uncertainty over future income streams and other key risks identified during the risk review. Under its funding agreements with the Department of Education the Trust is not allowed to borrow any money. It is the aim of the Trust to hold free cash restricted and unrestricted reserves for the following purposes:

Cathedral Schools Trust

- Short Term Challenges - provide sufficient working capital to cover delays between spending and receipt of grants, in-year unexpected changes in funding levels, and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. The minimum level to be set at 6 weeks Gross Salaries cost.
- Capital Investment - provide funds for a programme of capital investment in fixed assets. This includes items such as information technology equipment, educational equipment, office equipment, vehicles and other assets. It is expected that academy schools will build into annual budgets a level of budgeted expenditure sufficient to fund regular updating and renewal of educational equipment. The Trust will also develop a 3-year capital investment plan to be reviewed annually. The capital investment plan will indicate levels of long-term funding needed to support major Trust wide fixed asset programmes. The minimum level to be set at 1% of each school's current budgeted total income.
- Development - provide funds for development, supporting some schools as they grow and to support the expansion and diversification of the Trust in line with the strategic plan.

Monitoring and Review

The policy and reserves levels will be monitored at least twice each year:

- Each year alongside annual budgeting and long-term forecasting
- Each year alongside the preparation of the Trust's year-end report and accounts

The policy will be reviewed every two years.