

## **Policy Essential Information**

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## **Financial Procedures**

### **Introduction**

Financial regulations state that all financial processes must be carried out in accordance with detailed financial procedures prepared by the Principal Finance Officer. The following document specifies the procedures that apply from 1<sup>st</sup> September 2019 and should be read alongside the Harrow Academies Trust Financial Regulations.

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## 1. Purchasing

- 1.1. All purchasing should be done through Finance following the approved procedures.
- 1.2. Purchase orders should be raised for all goods and services purchased by the school except where these may be covered under the procedure for reimbursement of expenses.
- 1.3. Purchase Orders should only be raised where the number of tenders/quotations have been received in accordance with the financial regulations:
  - 1.3.1. (at least 2 for purchases > £1000,
  - 1.3.2. at least 3 for purchases > £5000).
  - 1.3.3. Note that for large value curriculum items such as exercise books where the school has a preferred supplier or for specific software packages it may not be possible to obtain quotations for the exact same product. In this case the school should ensure it has considered if there definitely is a requirement for the goods/service, that the goods/service represent value for money and whether it is possible to negotiate a discount with the supplier.
- 1.4. Exceptionally, where it is considered to be in the best financial interests of the school to place a non-curriculum order without the required number of tenders or quotations a waiver form must be completed and authorised on behalf of the LGB.
- 1.5. Additionally, for certain services (e.g. annual rates), the school may take the decision that a Purchase Order is not required and should complete a PO Waiver which must be authorised by the Headteacher.
- 1.6. Staff should place orders via the finance web portal wherever possible. Staff must provide as much detail as possible about the supplier and items required. The order should be approved by the relevant person as per the web portal set up, and in line with the correct signing authority limits.
- 1.7. For certain items the web portal will not be appropriate and a paper form should be completed. The main examples are staff training/CPD and credit card purchases (e.g. from Amazon/EBay). For CPD a Cover/CPD form should be completed and approved by the relevant line manager, as well as Cover Supervisor and Finance. For credit card purchases a paper requisition form should be completed and approved as per the agreed signing limits. Paper forms are available on SharePoint and in the Forms folder of the shared drive.
- 1.8. Purchase Orders should only be raised where there is sufficient budget. This will be checked in the web portal when the order is raised. Over budget purchases will required approval from the Finance Director.
- 1.9. The Finance Officer will raise a Purchase Order in the school's finance system either by importing orders from the web portal, or raising individual orders for non-portal transactions. The PO should be made out to the supplier that provided the tender or quotation that represents the best value for the school. Where this is not the case a written justification to support the choice of supplier must be provided and authorised together with the Purchase Order.
- 1.10. Where a purchase is made from a supplier not previously used by the school, a new supplier will be set up on the accounting system following authorisation by the Finance Director. The Finance Officer will set up the supplier and this will be checked and approved by the Finance Director, who should sign off the first Purchase Order to confirm all supplier details are correct.
- 1.11. Purchase orders should specify the delivery address for goods to be the location of the school. The contact name for the delivery should be the name of the person requesting the goods but it

should be addressed to the Finance Department so that goods can be checked before being distributed to staff/departments.

- 1.12. Purchase orders should stipulate that all invoices should be addressed to the Finance Department and include the finance email address as well as the school address.
- 1.13. Credit card purchases:

PHS has 1 business credit card which is held by Finance and kept in the school safe. The credit limit is £2,000. The card is only intended to be used for purchases where a supplier invoice cannot be issued, e.g. Amazon and similar online suppliers. Staff should always try and use a supplier that will invoice PHS in the first instance.

The business credit card will be cleared in full every month by direct debit from the current account.

A purchase requisition form should be completed and approved by the appropriate person and passed to Finance. The Finance Director will approve the use of the school credit card for the purchase and the Finance Officer will place the order.

All purchases using the business credit card must have an approved purchase order to support them. Finance will raise a purchase order with the supplier on the system and will code the invoice/order confirmation as usual. The Finance Director will sign off the PR form to approve the use of the credit card.

The invoice will be "paid" in the system from the credit card account so that the supplier account is cleared. When the credit card is paid by direct debit each month a transfer will be made in the system between the current account and the credit card account.

At the end of each month the credit card statement will be reconciled to the credit card account in Resource and the reconciliation (copy invoices/POs available on request) signed off by the Finance Director.

## **2. Receipt of Goods and Certification of invoices**

- 2.1. In most cases goods will be delivered to the school reception and signed for by reception staff.
- 2.2. Reception staff will notify the Finance Officer that the goods have arrived. The Finance Officer will retain the delivery note and will check that the goods match the order and are in a good condition. Any discrepancies will be followed up with the supplier. Where there is no delivery note, the budget holder/person who placed the order should confirm that the order is as expected.
- 2.3. Services should be checked by the budget holder/person who placed the order and confirmed as being received to the level agreed in the service specification. For most orders this will be done within the web portal when the Invoicing module goes live (estimated from Jan-19).
- 2.4. When invoices are received in Finance they will be entered into the accounting system and checked as follows:
  - 2.4.1. Arithmetically correct
  - 2.4.2. VAT is correctly recorded
  - 2.4.3. Discounts are taken
  - 2.4.4. Not previously passed for payment
  - 2.4.5. Entered onto the asset register if appropriate

- 2.4.6. Matched to an approved order (or part matched where there is sufficient value outstanding on the order)
- 2.4.7. A tolerance of 5% shall be permitted such that where invoiced value exceeds order value by this amount the invoice may be passed for payment. Variances outside of this tolerance require approval by the Finance Director.
- 2.4.8. Any invoices received by Finance that do not have an approved order must be authorised by the Finance Director. Finance will follow up with the person who placed the order to ensure procedures are followed in future.
- 2.5. Invoice approvals should follow the Scheme of Delegation. In addition, where the invoice relates to a specific good/service (e.g. 3rd party service such as period 7 club), the Finance Office will check with the relevant member of staff that the goods/service/hours have been provided as expected, before passing the invoice for payment.
- 2.6. The Finance Officer will then enter the invoice onto the accounting system.
- 2.7. Finance Department will retain all documentation including:
  - 2.7.1. Signed Purchase order
  - 2.7.2. Evidence of quotations / tenders (or signed waiver form)
  - 2.7.3. Signed invoice copy
  - 2.7.4. Delivery notes if available
- 2.8. Where the school has been invoiced in error a credit note will be requested from the supplier and entered onto the system.
- 2.9. When an invoice has been posted onto the accounting system the commitment value will be removed. Where an invoice is for an amount lower than the original order and the order has been fully satisfied, Finance will remove the residual value of the commitment.

### **3. Payment to Suppliers**

- 3.1. The approved payment methods are cheque and BACS. The school has a credit card as detailed above but does not currently have any purchase cards. If these are required at a later date they will be subject to the usual approval processes. Pre-paid debit cards may be required for school trips; these will be investigated as and when they are needed.
- 3.2. The accounting system will calculate the payment due net of any credit notes.
- 3.3. The Finance Officer will prepare a payment proposal from the accounting system which will be reviewed along with the invoices and approved by the Finance Director.
- 3.4. The Finance Officer will then produce the BACS report/cheques and remittance advices to be sent to suppliers for all invoices where payment is due.
- 3.5. All cheques will be signed by two approved cheque signatories in accordance with the summary of delegations.
- 3.6. For BACS payments, step 3.3 will be followed as above.
- 3.7. The BACS file will be created in the finance system and imported into the bank by the Finance Officer.
- 3.8. A BACS report will be generated and checked that it matches the payment proposal from the finance system. The BACS report will be approved by the Finance Director.
- 3.9. Each line item should then be checked by an approved cheque signatory and the payment can then be authorised online by a second cheque signatory who should sign off the BACS payment report.
- 3.10. Purchase Ledger and Bank Reconciliations will be done every month and included as part of the month end reporting.

#### **4. Reimbursement of Expenses**

- 4.1. Where a member of staff incurs legitimate business expenses including travel costs, expenditure may be incurred and reclaimed by the completion of the Expenses Claim Form. A copy of the form is available on SharePoint: <https://pinnerhigh.sharepoint.com/Forms/Forms/AllItems.aspx>
- 4.2. Such expenditure will not normally exceed £100 (individual items on the claim form).
- 4.3. In exceptional circumstances the limit of £100 may be exceeded but only with the prior written permission of the Headteacher using the "expenses over limit" form.
- 4.4. For internet purchases (e.g. Amazon), the name on the account should be the name of the staff member and the purchase should be via credit card, not with a gift card or similar.
- 4.5. In order to correctly capture all liabilities owed by the school, staff members will be set up in the Purchase Ledger (using code Y to denote staff) and will be reimbursed by cheque payment or BACS.
- 4.6. Expense forms should be approved by Line Managers or the relevant approver according to the Scheme of Delegation.
- 4.7. The form will be checked by the Finance Officer for accuracy prior to inputting onto the finance system. It will be included with the invoices to be reviewed and approved by the Finance Director as per 3.3.

#### **5. Cash Advances**

Members of staff who undertake foreign travel may claim a cash advance if they will incur expenditure on behalf of the school whilst on the trip. Cash advances are only available for overseas travel and are paid in GBP to the staff member's bank account (either by BACS or cheque) or in currency as a cash payment. The amount of the advance should be kept to a minimum (normally not exceeding £300), with expenditure being incurred through normal procurement processes wherever possible.

Staff should retain all receipts to support each item of expenditure related to the cash advance. On their return the member of staff must submit an expense claim to account for the expenditure and any outstanding cash should be returned to Finance within 14 days.

Staff will not be issued with another advance until outstanding advances are cleared.

Advances require 5 working days' notification.

#### **6. Petty Cash**

The school does not hold petty cash.

#### **7. Payroll**

- 7.1 The Headteacher is responsible for appointment of all staff and authorisation of any changes in pay, grade, hours or duties. Following written authorisation by the Headteacher the HR Assistant will update the Pay / Personnel system (EPM portal). The Headteacher's pay is set by the Governors' Pay Committee.
- 7.2 Any payroll variations including overtime must be authorised by the Headteacher on approved forms.

- 7.3 Following written approval by the Headteacher the Finance Officer will update the EPM portal for payroll variations.
- 7.4 Requests for duty payments should be received by Finance by the 3<sup>rd</sup> working day of the month to ensure they can be processed in time for payment in that month's payroll.
- 7.5 Lunch/Gate duties will be paid a month in arrears.
- 7.6 A Lunch/Gate Duties form should be completed by all staff wishing to claim a paid duty for the previous month. Claims should normally match the duty rota. Where a member of staff is unable to do a duty they should swap with another staff member. The SLT will perform intermittent checks that staff are carrying out their duties.
- 7.7 Payroll is run by the outsourced Payroll Bureau EPM and reports sent to the Finance Officer for checking and the Finance Director for final checking and online authorisation which will be done once the Headteacher has also approved.

## **8. Income**

### ESFA Funding

- 8.1 GAG funding for the academic year is confirmed by the ESFA in advance. The payment schedule will be downloaded from DfE Secure Access by the Finance Director and saved electronically in the finance drive.
- 8.2 The school will be notified by email from the ESFA of the monthly funding. The Finance Officer will check this against the bank receipt and the payment schedule, and book the receipt in the finance system to the relevant restricted income codes.
- 8.3 The finance system generates a receipt, which can either be filed electronically or printed out and kept in a Receipts file.
- 8.4 Other ESFA funding, such as High Needs Place funding, Pupil Premium and Year 7 catch up, is also paid directly into the school's bank account. The Finance Office will check the bank receipt against the remittance email received from the ESFA, check the income calculation is correct (where appropriate), and book the income against the relevant ledger code.
- 8.5 At the year-end where funding may not be received until the following academic year an accrual should be made for the missing income – e.g. Pupil Premium which is paid in 4 instalments.

### Local Authority Funding

- 8.6 SEN funding received from the local authority will be checked by the Finance Officer against the payments schedule and remittance advice from the local authority. The payment schedule will also be checked by the SENCO to confirm it includes all relevant students.
- 8.7 The income will be booked against the relevant restricted income ledger code once it has been received in the bank account.
- 8.8 System generated receipts will be filed either electronically or in a Receipts file.
- 8.9 At the year-end where funding may not be received until the following academic year an accrual should be made for the missing income – e.g. where SEN is paid in 3 instalments.

### Grants Income

- 8.10 Income that the school receives from grants (e.g. Jack Petchey) will be matched to a remittance by the Finance Officer and booked to the relevant ledger code. Grant income will be restricted as it can only be spent on specific approved items.

- 8.11 The Finance Officer will ensure that grant income is separately identifiable in the finance system (either by cost centre or project code) and that when funds are spent the expenditure is recorded against the grant so that a full reconciliation can be provided to the grant provider if requested.

### Trips/School Visits Income

- 8.12 Income for trips will be collected via ParentPay.
- 8.13 The staff member responsible for managing the trip will inform Finance that a trip is being planned.
- 8.14 Finance will lead on costing the trip to ensure all relevant costs are built into the trip costing (and being mindful of the school's Charging and Remissions Policy as to which costs can be included).
- 8.15 Once the trip/visit is costed and parents have been informed, the Finance Officer will create the payment item in ParentPay. A copy of the trip letter and confirmation of the costings and payment schedule should be emailed to Finance by the trip organiser and electronically filed in the trips folder.
- 8.16 The amount assigned will include the ParentPay transaction fee charge (excl. VAT) which the school has agreed to pass on to parents/carers, in line with other Harrow schools.
- 8.17 Finance will keep the trip organiser informed when payments are made and where there are payments outstanding.
- 8.18 In the case of overdue/outstanding payments Finance will liaise with the relevant staff member and Head of Year to determine the best way to chase the payment.
- 8.19 ParentPay balances are settled weekly into the bank current account. The Finance Officer will account for the cash receipt and post an entry to the Parent Pay liability account in the finance system (NL 80360) until the invoice from the relevant supplier (e.g. Travel company) is received. A project code will be assigned to each trip and the income will be booked as non-GAG restricted. Accounting for ParentPay income will be as follows:

- Dr Bank (total income received)
- Dr ParentPay 80360 (PPay Fee)
- Dr VAT (VAT on fee)
- Cr ParentPay 80360

- 8.20 When a supplier invoice is received the accounting entry will be:

- CR Purchase Ledger
- DR Trips Account 18000
- CR Trips Income 02100
- DR ParentPay Liability 80360

Nominal Code	Description
01000	Donations - Private Inc
01100	Charity Collections - Private Inc
01200	Deed of Covenant / Gift Aid Income
02000	Hire of Facilities
02100	Contributions to trips
02200	Income - Departmental activities
02300	School concerts & activities
02400	Music Tuition Income

- 8.21 Finance will download VAT invoices from the ParentPay website on a regular basis (at least monthly) and will include these amounts on the VAT reclaim form.
- 8.22 A monthly reconciliation of account 80360 will be done as part of the month end process.
- 8.23 Once a trip is complete a final reconciliation of income and costs will be prepared by the Finance Officer.
- 8.24 Any remaining funds in NL 80360 will be returned to parents/carers once the reconciliation is complete.

### Music Tuition Income

- 8.25 The school will contract with Harrow Music Service to provide individual and group music tuition outside of the usual curriculum for students as required.
- 8.26 HMS currently invoices schools on a termly basis.

- 8.27 The school requires parents/carers to pay for music lessons in 2 instalments, in September and January.
- 8.28 At the start of the autumn term the Finance Officer will liaise with the music teacher to confirm the names of all students taking music lessons so that the charges can be made for those lessons.
- 8.29 The Finance Officer will create the payment item in ParentPay.
- 8.30 Process for accounting for the income is the same as for trips. See 8.16 to 8.19.
- 8.31 When an invoice is received from HMS the accounting entry will be:
- CR Purchase Ledger
  - DR Music Lessons 18150
  - CR Music Income 02400
  - DR ParentPay Liability 80360
- 8.32 Finance will download VAT invoices from the ParentPay website on a regular basis (at least monthly) and will include these amounts on the VAT reclaim form.
- 8.33 A monthly reconciliation of account 80360 will be done as part of the month end process.

#### Lettings

- 8.34 For 2018/19 the school hopes to have the facility to offer lettings. This process will be updated once the school is able to let its premises.

#### Other Income - ParentPay

- 8.35 Other items the school may charge parents for include the following:
- Concert tickets
  - Lost library books
- 8.36 The Finance Officer will put a payment item on ParentPay and assign the item to the relevant students on receipt of clear instruction from the relevant teacher/member of staff.
- 8.37 Process for accounting for the income is the same as for trips. See 8.16 to 8.18.
- 8.38 ParentPay balances are settled weekly into the bank current account. The Finance Officer will account for the cash receipt and post an entry to the relevant income code. A project code will be assigned to each item (e.g. "School concert 2017") and the income will be booked as non-GAG restricted/unrestricted as appropriate.
- 8.39 A monthly reconciliation account of 80360 will be done as part of the month end process.

#### Other Income - Invoices

- 8.40 From time to time the school will need to raise invoices. Current examples include:
- where the school has seconded a teacher to another school;
  - where the school is paying utilities bills on behalf of the whole building and needs to recharge Avanti House School;
  - where the school is recharging London Borough of Harrow for SEN support.
- 8.41 Invoices will only be issued when sufficient supporting documentation has been received from the individual requesting the invoice. Ideally this will be a copy of the relevant contract, e.g. for teacher secondments, or a copy of the invoice to be recharged.
- 8.42 The Finance Officer will raise a sales invoice in the finance system.
- 8.43 Payment terms will depend on the contract/agreement but will not exceed 30 days.
- 8.44 VAT will be added to the invoice if relevant.

- 8.45 The sales ledger balance will be reviewed each month as part of the month end process and any unpaid overdue invoices will be followed up by the Finance Officer.
- 8.46 A Sales Ledger reconciliation will be done each month and included as part of the month end reporting.

#### Other Income - Charitable Donations

- 8.47 From time to time the school may support a charitable event (e.g. Red Nose Day) and ask students for a donation.
- 8.48 Donations will be collected by form teachers and handed to the Finance Officer for counting and banking.
- 8.49 Cash will be held in the school safe until it is banked.
- 8.50 Banking will be done as soon after the event as possible.
- 8.51 Accounting for income from charitable donations will be as follows:
  - DR Bank
  - CR Charities control A/C 60501
- 8.52 And when the funds are paid on to the charity:
  - DR Charities control A/C
  - CR Bank

#### Other Income – Bank Interest

- 8.53 This will be booked in the finance system as received in the bank.
  
- 8.54 A bank reconciliation will be done at the end of each month to ensure all income has been correctly accounted for.
- 8.55 For all issues with recovery of debts the Finance Director will refer to the HAT Financial Regulations and the Academies Financial Handbook.

### **9. Financial Delegations**

A summary of financial delegations is set out in Appendix 1.