



FINANCE POLICY & PROCEDURE

Updated September 2019
Approved by the Governing Body

This policy refers to and should be read in conjunction with the following policies:

- Pay Policy
- Disaster Recovery Plan

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1. Introduction

- 1.1 The vision for the Big Creative Academy is to establish an academy that will be regarded by young people, parents, the education community and employers as one of the leading post 16 institutions for exceptional teaching, learning and skills development for the creative industries in the UK.
- 1.2 It is a company limited by guarantee incorporated in England & Wales under company number 08333424 and it is an exempt charity.
- 1.3 The board of trustees are subject to the duties and responsibilities of charitable trustees and company directors as well as any other conditions that the Secretary of State agrees with them. These responsibilities are mutually reinforcing and are there to ensure the proper governance and conduct of the Trust. The key requirements are reflected in the articles of association, the funding agreement, and Academies Financial Handbook (AFH).
- 1.4 This policy has been updated with reference to the AFH Sept 2019 and covers the duties and obligations of the academy trust arising from the Funding Agreement.
- 1.5 The Principal is designated as the Accounting Officer and takes personal responsibility for assuring the Governors that there is compliance with AFH and all relevant aspects of company and charitable law.
- 1.6 A Register of Business & Pecuniary Interests is maintained for all governors and staff. It is reviewed and updated on an annual basis.
- 1.7 Big Creative Academy will produce audited accounts. The accounting period will be reporting to a 31 August year-end. The audited accounts will be submitted to ESFA by 31 December each year.
- 1.8 As a charity, Big Creative Academy will maintain accounting records and provide publicly accessible accounts in line with the Statement of Recommended Practice (SORP) for charities. These accounts will be prepared in line with the accounts direction published by the Education Funding Authority (ESFA).
- 1.9 Big Creative Academy will file its accounts with Companies House and publish the annual accounts on Big Creative website no later than January following the financial year to which the accounts relate to.

2. Roles & Responsibilities

2.1 The Governing Body (board of trustees of the Academy) has wide responsibilities under statute, regulations, and the funding agreement. Principally, it is responsible for ensuring that the Trust's funds are used only in accordance with the law, its articles of association, its funding agreement, and the AFH. The Board of Trustees has wide discretion over its use of the Trust's funds, which it must discharge reasonably and in a way that commands broad public support. *It is responsible for the proper stewardship of those funds, including regularity and propriety, and for ensuring economy, efficiency and effectiveness in their use – the three key elements of value for money.*

2.2 The Governing Body understands its statutory duties as company directors as set out in the Companies Act 2006. The Board of Trustees will:

- act within their powers;
- promote the success of the company;
- exercise independent judgement;
- exercise reasonable care, skill and diligence;
- avoid conflicts of interest;
- not accept benefits from third parties;
- declare interest in any proposed transactions or arrangements;
- provide details of the Academy Trust's governance arrangements in the governance statement published within its annual accounts. A key feature is the Trustees' review of governance including a consideration of the composition of the board in terms of skills, effectiveness, leadership and impact;
- produce audited accounts and set out in their governance statement what they have done to review and develop their governance structure and composition of the board of trustees;
- consider and approve the annual budget plan and the five-year financial plan, and any subsequent proposed virements / revisions in accordance with ESFA requirements;
- ensure the budget is developed with reference to the academy's strategic aims and objectives;
- review management accounts on a monthly basis (Finance & General Purposes Committee) and at least six times per year for the whole governing body
- establish and review, annually, the financial limits of delegated authority;
- review from time to time the Register of Interests and to ensure its accuracy;
- ensure that the budget is managed effectively and accurate records are maintained and that these are available for audit and inspection as required;
- ensure that effective financial procedures are in place and carried out;
- consider the recommendations from external and internal audit (Responsible Officer) reports and ensure that any required action is implemented promptly;
- approve the staffing complement and pay policy and ensure, in conjunction with the Principal, that salary payments are made only to academy employees in accordance with their appropriate conditions of employment and for services provided to the academy (including appropriate tax and NI and pension);
- act as a 'critical friend' to the Principal by providing advice, challenge and support;
- adopt the four principles of best value
 - compare how the Academy's performance compares with that of other academies;
 - challenge whether the Academy's performance is sufficient;
 - compete to secure economic, efficient and effective services; and
 - consult with stakeholders about services provided) and evaluate the effectiveness of spending decisions.

- obtain approval from the Secretary of State before borrowing, including finance leases of any duration;
- seek the Secretary of State's approval for writing off debts and losses and entering into guarantees, indemnities and letters of comfort beyond limits as specified in the AFH;
- consider the justification and level of settlement for any staff severance payment;
- consider that any compensation payment is based on careful appraisal of facts, including legal advice and that value for money will be achieved;
- obtain the Secretary of State's approval before entering into the acquisition or disposal of fixed assets beyond limits specified in the AFH;
- refer any novel or contentious transaction to the ESFA for prior authorisation, these will relate to situations in which the Academy Trust has no experience or are outside the range of normal business and which in turn might give rise to criticism of the Trust by the public or media;
- ensure that the range of financial competencies of governors and staff involved in financial management is such that the Academy is not over-reliant on one individual; and
- consider the annual insurance premiums for risk and ensure they are appropriate and adequate.

2.3 The Governing Body delegates the regular monitoring of the academy's financial activity to the Finance and General Purposes Committee (F&GP). This body will ensure that the Governing Body is kept fully informed about financial issues through the presentation of minutes and briefings.

2.4 The committee will work to Terms of Reference drawn up by the Governing Body.

2.5 Its main function is to consider and make recommendations to the Governors on all financial and budgetary matters including, but not limited to:

- consideration of the annual budget for presentation to the full Governing body;
- approval of arrangements to secure compliance with financial regulations;
- ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 1985 and the DfE / ESFA guidance to academies.

2.6 The process for independent checking of financial controls, systems, transactions and risk is currently being undertaken by the Auditors who have been appointed as the Responsible Officer.

2.7 As Responsible Officer, they report to and accountable to the board of Governors. They review the internal financial controls and scrutiny and conduct tests to assure the governing of the effectiveness and adequacy of internal controls. The risk register informs the area of scrutiny.

3. The Trustees

3.1 The Board of Trustees of the Academy have appointed a Principal who is the accounting officer.

3.2 The Board and its committees will meet regularly enough to discharge their responsibilities under their articles of association, funding agreement and this policy, to ensure robust governance and effective financial management arrangements. Board

meetings will take place at least three times a year and business conducted only when quorate.

- 3.3 Whilst the Board cannot delegate overall responsibility for the Academy Trust's funds, it has set out an approved written scheme of delegation of financial powers that maintains robust internal control arrangements within this policy.

4. The Accounting Officer

- 4.1 The Principal has been appointed as the accounting officer, under the guidance of the Board, and will have appropriate oversight of financial transactions, by:

- ensuring that all the Academy Trust's property is under the control of the Trustees, and measures are in place to prevent losses or misuse, including maintenance of fixed asset registers;
- ensuring that bank accounts, financial systems and financial records are operated by more than one person;
- keeping full and accurate accounting records; preparing accruals accounts, giving a true and fair view of the trust's use of resources, in accordance with existing accounting standards.

- 4.2 The role of accounting officer includes specific responsibilities for financial matters. It includes a personal responsibility to Parliament, and to the ESFA's accounting officer for the financial resources under the trust's control;

- Regularity – dealing with all items of income and expenditure in accordance with legislation, the terms of the Trust's funding agreement and AFH, and compliance with the academy's internal procedures;
- Propriety – the requirement that expenditure and receipts are dealt with in accordance with Parliament's intentions and the principles of parliamentary control. This covers standards of conduct, behaviour and corporate governance;
- Value for money – this is about achieving the best possible educational and wider societal outcomes, within the trust's objects, through the economic, efficient and effective use of resources, the avoidance of waste and extravagance, and prudent and economical administration;
- The Accounting Officer will complete and sign a statement each year demonstrating how the trust has secured value for money, using the published template, this will be sent to ESFA by 31 December, and published on the Big Creative Academy website by the end of January following the financial year to which the statement relates.
- The accounting officer will also complete and sign a statement on regularity, propriety and compliance each year and submit this to ESFA with the audited accounts;
- Whilst the Academy's Accounting Officer is accountable for the trust's financial affairs, for keeping proper financial records, and for the management of opportunities and risks, the delivery of the trust's detailed accounting processes will be delegated to the Finance Director;

- The Accounting Officer will provide assurance to the Board of Trustees that there is compliance with the AFH and the funding agreement;
- The Accounting Officer will advise the Board in writing if, at any time, in his or her opinion, any action or policy under consideration by them is incompatible with the terms of the articles, funding agreement or the AFH;
- Similarly, the Accounting Officer will advise the Board in writing if the board appears to be failing to act where required doing so by the terms and conditions of AFH or funding agreement. Where the Board of Trustees is minded to proceed, despite the advice of the Accounting Officer, the accounting officer must consider the reasons the board gives for its decision. If, after considering those reasons the accounting officer still considers that the action proposed by the Board is in breach of the articles, the funding agreement or the AFH, the accounting officer must notify ESFA's Accounting Officer immediately, and in writing;
- The Accounting Officer will comply with chapter 3 of HM Treasury's Managing Public Money;
- The accounting Officer will produce a contingency and business continuity plan (Disaster Recovery Plan);
- The Accounting Officer will maintain a risk register, which assess the risks arising from Big Creative Academy's operations;
- The Accounting Officer will develop a strategic plan, underpinned by sound resource planning which identifies priorities and targets for ensuring that students make progress and achieve high standards, increasing teacher's effectiveness and securing improvement of the Academy's performance;
- The Accounting Officer will ensure that sound internal financial controls are in place, which is managed on a daily basis by the Finance Director;
- The Accounting Officer will ensure the effective implementation of current financial systems, policies and procedures even in the absence of key staff;
- The Accounting Officer will compile an annual budget (revenue & capital) for presentation to Finance and General Purposes Committee and the final approval of the Governing Body. Further, the accounting officer will ensure that the Academy has received the correct entitlement to delegated funding via the ESFA;
- The Accounting Officer will ensure the production of regular, reconciled budget and financial reports for Governors, ESFA, DfE or other bodies as necessary;
- The Accounting Officer will consider and respond promptly to recommendations identified in audit (Responsible Officer) reports and Ofsted recommendations and advising the Governing Body of remedial actions to be implemented;
- The Accounting Officer will prepare a fees policy for approval by the Governing Body;

- The Accounting Officer will ensure the maintenance of a fixed asset register all items for which the Academy is responsible;
- The Accounting Officer will ensure the adequacy of the Academy's insurance arrangements;
- The Accounting Officer will prepare and implement the appointments procedures, reviewing staffing requirements and curriculum needs as necessary;
- The Accounting Officer will advise on any proposed borrowing or finance leasing arrangement to ensure ESFA approval is sought;
- The Accounting Officer will advise on any proposed debt write-off or loss; and any proposal to enter into any guarantees, indemnities or letters of comfort beyond limits as specified in the AFH;
- The Accounting Officer will advise on any proposed staff severance payment;
- The Accounting Officer will advise on any proposed acquisition or disposal of fixed assets beyond limits specified in the AFH.

5. The Chief Financial Officer

5.1 The Finance Director is the Academy's Chief Finance Officer (CFO) who will lead on financial matters. The CFO will play both a technical and leadership role, including ensuring sound and appropriate financial governance and risk management arrangements are in place, preparing and monitoring of budgets, and ensuring the delivery of annual accounts.

5.2 The Finance Director has the following key responsibilities:

- Preparation of annual accounts;
- Day to Day accounting of proper financial records;
- Preparation of the annual budget and forecasts;
- Preparation of monthly management accounts;
- Liaison with external and internal auditors and accountants as necessary;
- Ensuring internal financial controls are in place; and

5.3 On a daily basis the Finance Director will:

- Have delegated responsibility to make minor virements within the authorised limits;
- Oversee all income received by the academy in terms of grants, donations or third party payments;
- Manage the petty cash account including the use of the corporate card;
- Review the accuracy of payroll, HMRC and pension details on a monthly basis;
- Ensure that the academy's accounting system is reconciled to the academy bank account on a monthly basis;
- Produce and disseminate monthly management accounts to the Finance and General Purposes Committee to indicate current financial position and forecasts;
- Produce monthly reports for all delegated budget holders;
- Manage externally funded projects provide financial reports for the appropriate Manager and Governors;

- Review, develop and revise this Finance Policy on an annual basis and recommend changes as necessary in line with DfE policy, funding agreement and latest AFH;
- Maintain an inventory for all academy responsibility items;
- Advise the Principal on the renewal of leasing arrangements for leased items to secure best value;
- Seek approval for and report on the disposal or write off of stock where material;
- Advise the Principal in respect of the academy's insurance requirements;
- Ensure that all financial records are retained as required under the Records Retention Policy;

5.4 The finance department will:

- Assume the day-to-day responsibility for preparing invoices for payment;
- Maintain an orderly system of recording all transactions;
Prepare weekly corporate card reconciliations including coding and inputting expenditure in the system;
- Assist in monthly bank reconciliation;
- Run the daily operations of the petty cash fund;
- Assist in monthly accruals prepayments and balance sheet reconciliations.

6. Financial Planning, monitoring and budgeting

6.1 Big Creative Academy will prepare and monitor financial plans to ensure ongoing financial health.

6.2 The board of trustees must approve a balanced budget, and any significant changes to that budget, for the financial year to 31 August, which can draw on unspent funds brought forward from previous years. The Board will minute its approval.

6.3 The Academy Trust must submit to ESFA, in a form specified by ESFA:

- a budget forecast return outturn by 21 May
- a 3-year budget forecast return by 30 July

6.4 The audited accounts must be:

- submitted to ESFA by 31 December
- published on the trust's website by 31 January
- filed with Companies House under company law, usually by 31 May
- provided to every member (under the Companies Act)

6.5 The Board of Trustees must notify ESFA within 14 days if it is formally proposing to set a deficit revenue budget for the current financial year, which it is unable to address after funds from previous years are taken into account.

6.6 The trust will manage its cash position by preparing and producing a cash flow forecast to avoid going overdrawn, and reconcile bank and control accounts regularly.

6.7 The Board of Trustees may invest to further academy's charitable aims, but will ensure that investment risk is properly managed. When considering making an investment the Board of Trustees will:

- act within its powers to invest as set out in the articles of association;

- have an investment policy to manage, control and track their financial exposure, and ensure value for money particularly if using unfamiliar investment techniques;
 - exercise care and skill in all investment decisions, taking advice as appropriate from a professional adviser;
 - ensure that security takes precedence over revenue maximisation;
 - ensure that all investment decisions are in the best interests of the Trust and command broad public support; and
 - review the Trust's investments and investment policy regularly.
- 6.8 The Board will follow the Charity Commission's guidance: CC14 Charities and investment matters: A guide for trustees. However, ESFA prior approval will be obtained for investment transactions that are novel and/or contentious.
- 6.9 Income generation activities such as lettings, event hire etc. will be set at full cost plus an additional rate of return.
- 6.10 The Academy will prepare annual accounts that incorporate accounting policies approved by the Financial and General Purposes Committee and audited by external auditor.
- 6.11 The Academy will produce monthly management accounts and this will be reported to the F&GP and the chair of Governors on a monthly basis. Whilst other Governors are sent the management accounts at least six times in an academic year.
- 6.12 The format of management accounts must include an income and expenditure account, variation to budget report, cash flows and balance sheet.
- 6.13 The management accounts will set out its financial performance and position. Managers must take appropriate action to ensure ongoing viability

7. Internal Control

- 7.1 Big Creative Academy will ensure that it has in place sound internal control, risk management and assurance processes.
- 7.2 The Academy will operate under an established control framework that recognises public expectations about governance, standards and openness.
- 7.3 The Trust's internal control framework will include:
- Co-ordinated and planned budgeting processes;
 - Applying discipline in financial management, including managing banking, debt and cash flow, with appropriate segregation of duties;
 - Preparation of timely monthly management accounts, including income and expenditure reports on an accruals basis, cash flow forecasts and balance sheets as appropriate;
 - Ensuring that delegated financial authorities are respected;
 - Effective planning and oversight of any capital projects;
 - The management and oversight of assets;
 - The propriety and regularity of financial transactions;
 - Reducing the risk of fraud and theft;
 - Ensuring efficiency and value for money in the Academy's activities; and

- A process for independent checking of financial controls, systems, transactions and risks.

7.4 The Academy has a whistleblowing policy, including making sure all staff are aware to whom they can report their concerns, and the way in which such concerns will be managed. The policy is set up in detail in a separate policy document

8. Risk Management

8.1 The Academy will make a considered choice about its desired risk profile, taking account of its legal obligations, business objectives and public expectations. The Academy will recognise, manage and track present and future risks arising from its operations, including a likelihood and impact assessment. The Academy will maintain a risk register.

8.2 The Academy will develop a business continuity plan setting out what it would do to ensure its continued operation.

8.3 The Academy has adequate insurance cover in compliance with its legal obligations, in accordance with its funding agreement.

8.4 The Academy has opted for DfE's risk protection arrangements (RPA). The RPA provides a comprehensive insurance cover for the Academy's assets and liabilities, which includes buildings and contents, business continuity, employer's and public liability insurance.

9. Internal Scrutiny

9.1 The Trust has in place a process for checking its financial systems, controls, transactions and risks.

9.2 The Academy has established a Finance and General Purposes committee, (incorporating Audit committee) appointed by the Board of Trustees, to provide assurance over the suitability of, and compliance with, its financial systems and controls including the functions of an audit committee.

9.3 The committee's role must include directing the trust's programme of internal scrutiny and reporting to the board on the adequacy of the trust's financial and other controls and management of risks.

9.4 The trust must submit its annual summary report of the areas reviewed, key findings, recommendations and conclusions to ESFA by 31 December each year when it submits its audited annual accounts. The trust must also provide ESFA with any other internal scrutiny reports if requested.

9.5 The functions of the committee are established in such a way as to achieve internal scrutiny which delivers objective and independent assurance, which means that as the Academy has a combined finance and audit committee, therefore the Principal is a member of the committee but will not participate as members when audit matters are discussed; the Principal will remain in attendance to provide information and participate in discussions.

9.6 The Principal and the Finance Director will routinely attend the committee in the capacity set out in this policy.

9.7 The committee's work will focus on providing assurances to the board of trustees that risks are being adequately identified and managed by:

- Reviewing the risks to internal financial control at the Trust; and
- Agreeing a programme of work to address and provide assurance on those risks.

9.8 The outcome of the work will inform the governance statement that accompanies the Academy's annual accounts and, so far as is possible, provide assurance to the external auditors.

10. Delivering Assurance

10.1 Academy trusts should manage this programme of risk review and checking of financial controls in the way that they deem most appropriate to their circumstances. There are various options available according to the AFH.

10.2 To deliver this assurance, Big Creative Academy has procured a supplementary programme of work by its external auditor to undertake the role of Responsible Officer and Internal Auditor

11. Delegated Authorities

11.1 The AFH sets out financial freedoms and limits that apply to the Academy. This Finance Policy sets out financial limits of delegated authority to the accounting officer by the Governors.

11.2 The AFH states "The academy must be able to show that public funds have been used as intended by Parliament.

"Academy trusts are independent institutions and the financial accountability system set out in the handbook reflects this by providing trusts with autonomy over financial transactions arising in the trust's normal course of business. Some transactions have delegated authority limits beyond which trusts **must** seek prior approval of ESFA. A schedule of delegated authorities is at Annex B of the AFM handbook."

11.3 Big Creative Academy will ensure that:

- Spending has been for the purpose intended and there is probity in the use of public funds;
- Spending decisions represent value for money, and are justified as such;
- Internal delegation levels exist and are applied within the Trust;
- Relevant professional advice will be obtained where appropriate, to ensure competitive tendering

11.4 Where necessary the Academy will refer to the range of guidance available on public sector procurement requirements, including DfE's buying for schools and its academies procurement resource. Further, it may also refer to annex 4.6 of HM Treasury's Managing Public Money. Advice on relevant contractual thresholds is provided in the Official Journal of the European Union (OJEU).

11.5 Summary of freedoms and delegations from the ESFA to the Academy is detailed in paragraph 5.64 of the Academies Financial Handbook September 2019.

- 11.6 The annual budget is initially prepared by the Finance Director with the Principal in consultation with Senior Leadership Team and then submitted to Finance and General Purposes Committee for approval.
- 11.7 The budget will then be submitted to a meeting of the full Academy Governing Body for formal approval.
- 11.8 The limits of delegated authority concerning expenditure are as follows:
- The Principal has the Academy delegated authority to authorise expenditure on single items or projects up to and including the sum of £65,000 including payroll
 - Transactions in excess of £65,000 must be reported to the next meeting of the Finance and General Purposes Committee
 - Virements of up to £20,000 may be made by the Finance Director, but any virements in excess of £20,000, or cumulatively in excess of £20,000 will be reported to the Finance and General Purposes Committee. Should it be necessary to exceed these agreed levels, the matter should be referred to the Finance and General Purposes Committee
 - Approval must be sought from the governing body for expenditure on single items or projects or multiple related items above £50,000 in value, be it one payment/ transfer of value or multiple payments/ transfer of value cumulatively exceeding £50,000 on related items or projects. **Except where the payment relates to payroll.** In the event of an emergency, approval for spending above agreed levels shall be sought from the Chair of Governors or in his/her absence the Vice Chair of Governors or the Chair of the Finance and General Purposes Committee
 - All payments including BACS, Payroll and cheques should have two signatories. The Principal and either one of the members of the Senior Management Team (SMT) can release BACS and sign cheques including monthly payroll in line with the financial limits set out in this policy. Where two SMT members are not available any member of the Board and one SMT member can release BACS, payroll and sign cheques
- 11.9 Purchase order limits are as follows:
- Principal: £50,000 (governing body approval in excess of this)
 - Finance Director: £20,000 (Principal approval in excess of this)
 - SMT: £1,001 to £4,999 (Finance Director approval when over)
 - Budget holders: £1,000 (SMT approval in excess of this)
- 11.10 For orders less than £5,000, budget holders can delegate their staff to raise POs according to the delegated authority stated in the Finance Policy. However, the budget holders are ultimately responsible for their budgets.
- 11.11 Budget holders are authorised to commit expenditure in line with their departmental plans and agreed budget allocations for non-staff costs only.
- 11.12 All staff costs procurement for either permanent or temporary staff should be preapproved by at least two members of the SMT including overtime.

- 11.13 For all non-staff costs purchase orders must be completed and signed by the budget holder or an email authorisation is required by the budget holder.
- 11.14 In urgency where an order is either placed verbally, by telephone, email or credit card, this should be confirmed by an official order as soon as possible.
- 11.15 Expenditure for goods and services up to £5,000 can be procured from existing suppliers of Big Creative Academy.
- 11.16 For procurement for goods or services in excess of £5,000 (and under £50,000) three quotes should be obtained to ensure value for money.
- 11.17 Where goods and services are to be procured in excess of £50,000 under the OJEU threshold an advert for a mini tender must be placed on the website and potential suppliers should be invited to tender for the goods or services. Following receipt of tenders, two authorised staff should assess and review and award scoring and weighting according to the Statement of Requirements (SoR) and the contract awarded to the supplier of the highest weighted scoring. See the website below for procedure:
- <http://www.ojec.com/Thresholds.aspx>
- 11.18 Invoices should be checked against the original order by the budget holder or the staff nominated by the budget holder and signed and dated with the relevant accounting system codes i.e. the correct cost centre and account code according to the published chart of accounts given by the finance department and should be allocated against the invoice. All invoices should be authorised by the budget holder and then sent to the finance department.
- 11.19 Payments should only be made on a receipt of a VAT invoice;
- 11.20 Petty cash: The Academy does not operate a petty cash system. Any expenses incurred by staff for the purchase of minor items will be reimbursed by credit transfer to the staff bank account. Claims submitted for reimbursement must have VAT receipts. Two signatures are required the person procuring goods and their budget holder.
- 11.21 The Principal and the Finance Director are cardholders. The credit limit is £1,000. The Finance department will process the transaction, relevant finance information will be input in the accounting system against relevant budget. Goods and services received must be evidenced with a receipt authorised by the cardholder.
- 11.22 Staff should not accept gifts or hospitality without recourse to the Principal. Minor tokens such as pens, calendars, etc. are acceptable. See paragraph 29.
- 11.23 The Academy will always consider price, quality and fit for purpose when purchasing for goods or services. Therefore, Academy staff should always adhere to the procurement guidelines stated in this finance policy.
- 11.24 The Academy has subscribed to a cloud based Accounting system called QuickBooks Accounting. The Accounting records are backed automatically in real time and complies with obligations under the Disaster Recovery Plan.
- 11.25 According to the AFH, irrespective of whether the Secretary of State's approval is required, academy trusts **must** disclose aggregate figures for transactions of any

amount, and separate disclosure for individual transactions above £5,000 in their audited accounts for each of the following transactions:

- gifts made by the trust (3.5);
- writing off debts and losses (3.6);
- guarantees, letters of comfort and indemnities (3.6);
- special payments – compensation (3.7);
- special payments – ex gratia (3.7);
- acquisition of a freehold of land and buildings (3.8);
- disposal of a freehold of land and buildings (3.8);
- disposal of heritage assets (3.8);
- taking up a leasehold on land and buildings (3.9); and
- granting a leasehold on land and buildings (3.9).

11.26 The following transactions must be disclosed in total, and individually:

- special payments – staff severance, of any value (3.7).

11.27 Other than what is required under financial reporting standards, the Charities SORP and the accounts direction, disclosure can be anonymised.

11.28 The Academy Trust **must** be even-handed in its relationships with connected parties by ensuring that:

- Trustees understand and comply with their statutory duties as company directors to avoid conflicts of interest, not to accept benefits from third parties, and to declare interest in proposed transactions or arrangements;
- no member, trustee, local governor, employee or related individual or organisation uses their connection to the trust for personal gain, including payment under terms that are preferential to those that would be offered to an individual or organisation with no connection to the Trust;
- there are no payments to any Trustee by the trust unless such payments are permitted by the articles, or by express authority from the Charity Commission (which will be given only in exceptional circumstances) and comply with the terms of any relevant agreement entered into with the Secretary of State. Trusts will in particular need to consider these obligations where payments are made to other business entities who employ the Trustee, are owned by the Trustee, or in which the Trustee holds a controlling interest;
- the Charity Commission's prior approval is obtained where the Trust believes a significant advantage exists in paying a Trustee for acting as a Trustee; and
- any payment provided to the persons referred to in section 3.2.1 of the AFH satisfies the 'at cost' requirements in this handbook.

11.29 The Board of Trustees **must** ensure that the requirements for managing connected party transactions are applied across the Trust. The Chair of the Board of Trustees and the accounting officer **must** ensure that their capacity to control and influence does not conflict with these requirements. They **must** manage personal relationships with connected parties to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with the seven principles of public life.

11.30 The Trust **must** recognise that some relationships with connected parties may attract greater public scrutiny, such as:

- transactions with individuals in a position of control and influence, including the Chair of the Board of Trustees and accounting officer;
- payments to commercial organisations which have a profit motive, as opposed to those in the voluntary sector; and
- relationships with external auditors that go beyond their duty to deliver a statutory audit.
- The Trust **must** maintain sufficient records, and make sufficient disclosures in its annual accounts, to evidence that transactions with these parties, and all other connected parties, have been conducted in accordance with the high standards of accountability and transparency required within the public sector.

11.31 The Trust must seek ESFA's prior approval for transactions with connected parties that are novel and/or contentious (section 3.3.1 of AFH). Trusts should carefully consider the impact of this requirement and its relevance to transactions involving the Chair of the Board of Trustees and the accounting officer.

11.32 The Academy has a register of interests where relevant business and pecuniary interests of Members and Trustees are recorded, including:

- Directorships, partnerships and employments with businesses that provide goods or services to the Trust;
- Trusteeships and governorships including at other educational institutions and charities irrespective of whether there is a trading relationship with the Trust; and
- For each interest: the name of the business, the nature of the business, the nature of the interest, and the date the interest began.

The register also includes the interests of other individuals in the register of interests. i.e. other employees of the Trust and close family members of individuals already on the register.

12. Payroll

12.1 Staff pay is determined by the Finance & General Purposes Committee in accordance with the Academy's Pay Policy. The Governing Body are particularly mindful of the pay for the Principal and Senior Leadership Team.

The trust must ensure its senior employees' payroll arrangements fully meet their tax obligations and comply with HM Treasury's guidance about the employment arrangements of individuals on the avoidance of tax. This is described in HM Treasury's Review of the Tax Arrangements of Public Sector Appointees which explains that senior managers with significant financial responsibilities should be exclusively on payroll, and therefore subject to Pay As You Earn with income tax and NI contributions deducted at source.

12.2 The Academy will ensure that all employees' payroll arrangements fully meet their tax obligations and comply with HM Treasury's guidance about the employment and contract.

- 12.3 The Academy has outsourced its payroll to an external provider. A monthly staff information file is emailed to the payroll bureau regarding any changes such as changes in salary, starters, leavers, sickness, maternity, overtime etc.
- 12.4 The payroll bureau processes the payroll in time with appropriate information sent to the Finance Director so that this can be input for online payments.
- 12.5 The delegated authority limits apply to payroll as per this finance policy. All staff are paid by BACS credited to their individual bank account on the 26th day of each Month that is, on or before the last Friday of the month.

13. Trading with Connected Parties or Related Party Transactions

13.1 The Academy will pay no more than 'cost' for goods or services provided to it by the following persons ('services' do not include services provided under a contract of employment):

- any member or trustee of the Academy Trust;
- any individual or organisation connected to a Member or Trustee of the Academy Trust. For these purposes the following persons are connected to a Member, or Trustee:
 - a relative of the member or Trustee. A relative is defined as: a close member of the family, or member of the same household, who may be expected to influence, or be influenced by, the person. This includes, but is not limited to, a child, parent, spouse or civil partner;
 - an individual or organisation carrying on business in partnership with the Member, Trustee or a relative of the Member or Trustee;
 - a company in which a member or the relative of a Member (taken separately or together), and/or a Trustee or the relative of a Trustee (taken separately or together), holds more than 20% of the share capital or is entitled to exercise more than 20% of the voting power at any general meeting of that company;
 - an organisation, which is controlled by a Member or the relative of a Member (acting separately or together), and/or a Trustee or the relative of a Trustee (acting separately or together). For these purposes an organisation is controlled by an individual or organisation if that individual or organisation is able to secure that the affairs of the body are conducted in accordance with the individual's or organisation's wishes;
 - any individual or organisation that is given the right under the Trust's articles of association to appoint a Member or Trustee of the Academy Trust; or any body related to such individual or organisation;
 - any individual or organisation recognised by the Secretary of State as a sponsor of the Academy Trust; or any body related to such individual or organisation.

13.2 Big Creative Academy acknowledges its obligation to obtain ESFA's approval for transactions with related parties that are novel, contentious and/or repercussive. Trusts should carefully consider the impact of this requirement and its relevance to transactions involving the chair of the board and the accounting officer.

- 13.3 Big Creative Academy acknowledges its obligation to obtain ESFA's prior approval, using ESFA's on-line form, for contracts for the supply of goods or services to the trust by a related party agreed on or after 1 April 2019 where any of the following limits arise:
- a contract exceeding £20,000
 - a contract of any value that would take the total value of contracts with the related party beyond £20,000 in the same financial year ending 31 August
 - a contract of any value if there have been contracts exceeding £20,000 individually or cumulatively with the related party in the same financial year ending 31 August

14. Borrowing

- 14.1 In line with funding agreements the Academy will seek ESFA's prior approval for borrowing (including finance leases and overdraft facilities) from any source. The Academy will pay no more than 'cost' for goods or services provided to it by the following persons ('services' do not include services provided under a contract of employment):

15. Write offs and Entering into Liabilities

- 15.1 The Academy **must** obtain ESFA's prior approval for the following transactions beyond the delegated limits of the two categories set out below:

- writing-off debts and losses and any uncollected fines; and
- entering into guarantees, letters of comfort or indemnities.

- 15.2 The delegated limits are:

- 1% of total annual income or £45,000 (whichever is smaller) per single transaction;
- cumulatively, 2.5% of total annual income in any one financial year per category of transaction for any academy trusts that have not submitted timely, unqualified audited accounts for the previous two financial years. This category includes new academies that have not had the opportunity to produce two years of audited accounts; and
- cumulatively, 5% of total annual income in any one financial year per category of transaction for any academy trusts that have submitted timely, unqualified audited accounts for the previous two financial years.

- 15.3 In relation to these limits:

- the Trust should always pursue recovery of overpayments, irrespective of how they came to be made. In practice, however, there will be both practical and legal limits to how cases should be handled;
- the Trust should only consider writing-off losses after careful appraisal of the facts, including whether all reasonable action has been taken to effect recovery from the debtor, the Trust's insurers, or the risk protection arrangements, and should be satisfied that there is no feasible alternative;

- the amounts for write-offs are before any successful claims from an insurer or the risk protection arrangements; and
- total annual income is defined as grant income as disclosed in the Trust's last set of audited accounts. ESFA should be contacted if the trust has not yet published their first set of audited accounts.

15.4 Before accepting any liabilities by: issuing specific guarantees; providing a letter of comfort; or providing indemnities, the Trust should appraise the proposal by performing an assessment of the costs and benefits of relevant options using an appropriate method, in order to secure value for money. The Trust must ensure that the value of any liability is within its delegated authority to commit.

16. Audit

16.1 The Academy will appoint an external auditor, to certify whether the accounts present a true and fair view of the trust's financial performance and position; and produce audited accounts.

16.2 The contract for the audit will be in writing and take the form of a letter of engagement. The letter of engagement will solely cover the external audit. For additional services, a separate letter of engagement will be obtained which must specify the precise requirements of the work and the fees to be charged.

16.3 A review of the accounting officer's statement will be included within the remit of Academy Trust's external auditors.

17. Regularity Audit

17.1 An accounting officer's statement on regularity, propriety and compliance must be included in the Academy Trust's annual report. This will be a formal declaration by the Trust's accounting officer to state that the Principal has met their personal responsibilities to the Parliament for the resources under their control during the year.

17.2 It includes a responsibility to ensure that:

- public money is spent for the purposes intended by Parliament (regularity);
- appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under their control (propriety); and
- there is efficient and effective use of resources in their charge (value for money).
- The format of the statement will be in accordance with ESFA's accounts direction. The accounting officer also has a responsibility to advise the board of trustees and ESFA of any instances of irregularity or impropriety, or noncompliance with the terms of the Trust's funding agreement and/or the AFA.

18. Bank Account

18.1 The Academy details are as follows:

Academy Number 141030

Local Authority 320

18.2 The bank account details are as follows:

Big Creative Academy
Co-operative Bank 80
Cornhill
London EC3V 3NJ

Sort Code: 080228
Account number: 65679175

18.3 Signatories on the above accounts are the Principal, Finance Director and Alexis Michaelides (Trustee).

18.4 The Principal and Finance Director have approval to draw cash on the Academy bank account or use their corporate card up to £500 in any one day, to facilitate emergency expenses when necessary).

19. Reserves and Investments

19.1 The Academy will maintain an adequate level of uncommitted reserves to cushion the impact of uneven cash flow and to provide a financial contingency for unexpected events.

20. Donations

20.1 The Academy will accept a monetary donation made in good faith however any restriction or condition attached to the donation must be in line with the Academy priorities.

21. Contracts and Leases

21.1 There are two types of leases:

- operating leases: these do not represent borrowing; and
- finance leases: these are a form of borrowing

According to the AFH, Academies do not require ESFA's approval for operating leases except for transactions relating to land or buildings.

21.2 Academy will obtain prior approval from ESFA for the following leasing transactions:

- taking up a finance lease on any class of asset for any duration from another party (borrowing);
- taking up a leasehold or tenancy agreement on land or buildings from another party for a lease term of more than five years; and
- granting a leasehold interest, including a tenancy agreement, of any duration, on land or buildings to another party.

21.3 Big Creative Academy will ensure that any lease arrangement maintains the principles of regularity, propriety and value for money, whether or not the prior approval of ESFA

is required. The Academy will seek advice from their professional financial adviser and/or external auditor if it is in any doubt over whether a lease involves an element of borrowing.

22. Capital Funding and Expenditure

22.1 The Academy must seek and obtain prior written approval from ESFA for the following transactions:

- acquiring a freehold of land or buildings;
- disposing of a freehold of land or buildings; and
- disposing of heritage assets beyond any limits set out in the Trust's funding agreement in respect of the disposal of assets generally. Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture, as defined in applicable financial reporting standards.

22.2 Other than land, buildings and heritage assets, trusts can dispose of any other fixed asset without the approval of ESFA. Trusts must ensure that any disposal achieves the best price that can reasonably be obtained, and maintains the principles of regularity, propriety and value for money. This can involve public sale where the assets have a residual value.

22.2 Additional guidance is available to help trusts seeking consent for land and buildings transactions. ESFA prior approval must be obtained for property transactions, which are novel and/or contentious.

22.3 Capital assets or funding are those from which an academy can expect to derive a benefit for more than one year: typically, land, buildings, vehicles, information technology etc. Capital assets are usually referred to as fixed assets.

22.4 The Academy details such expenditure in a capital budget alongside the annual budget for Governors approval.

22.5 Capital expenditure can only be incurred on pre-approved capital expenditure budget approved by the Governors and where appropriate ESFA

22.6 The authorisation and approval should be in line with the financial limits of delegated authority within the finance policy.

22.7 Any asset in excess of £500 will be assessed for capitalisation.

22.8 Depreciation will be calculated as follows:

Buildings & modification:	straight line over remaining term of lease
Furniture & fittings:	straight line over ten years with no residual value
Computer equipment:	straight line over five years with no residual value
Music/Media Equipment	straight line over five years with no residual value
Other equipment (i.e. bike racks, CCTV)	straight line over ten years with no residual value

- 22.9 The Finance Director maintains an inventory of any Academy purchased item of furniture and ICT peripherals and will arrange for an annual check at the end of the summer term to be signed-off by the Academy.

23. Insurance

- 23.1 The Academy is subscribed to the Department for Education's Risk Protection Arrangement for material damage to Academy leased property, public/employer liability, libel and slander, governor liability, legal expenses, fidelity guarantee, personal accident and academy trips.

<https://www.gov.uk/guidance/academies-risk-protection-arrangement-rpa>

24. Security

- 24.1 The building is operated on suited keys and the Principal approves key holders. The Premises and Facilities Manager is responsible for the security of the site at all times but in conjunction with the Principal during academy operating hours.

25. Data Back Up

- 25.1 Data is maintained and backed up in accordance with the Disaster Recovery Plan.

26. Fraud

- 26.1 In the unfortunate event of a fraud or theft, this will be investigated by a nominated person by the Principal and if necessary reported to the police. A report will be drafted and submitted to the Principal and then to the Finance and General Purposes Committee.
- 26.2 According to the Academy Financial Handbook, where the value of the fraud or theft is in excess of £5,000, individually and cumulatively, in any academic financial year, it will be reported to the ESFA.

27. Expenses Policy

- 27.1 Big Creative Academy employees may need to travel in connection with their duties. If this is to be a routine part of the job, it will be agreed with the line manager at appointment. If an employee needs to travel on Big Creative Academy business which is not routine or is long distance, authorisation will be required from the line manager prior to the journey.
- 27.2 Employees will be reimbursed for travel costs incurred on Academy business. Big Creative Academy does not reimburse costs associated with travelling to and from an employee's normal place of work.
- 27.3 Staff are encouraged to car share where practical in order to reduce unnecessary costs to the Academy. Staff must use the shortest route. The authorised mileage rate is 45p per mile if this is the cheapest or most practicable means of transport. This applies to

up to 10,000 miles per year, thereafter at the rate of 25p per mile. Staff should ensure that they have business class 1 insurance if they intend to use their own vehicle.

27.4 Mileage will be reimbursed at the rate of 24p per mile. The Academy's insurance policy does not cover staff usage of vehicles for business use. Staff should ensure that they have business class 1 insurance if they intend to use their own vehicle.

27.8 The Academy will fund standard class travel only, taking advantage of advance booking discounts. Should staff wish to upgrade they will be required to meet the costs themselves.

27.9 The cost of taxis will only be reimbursed when staff are travelling late at night, if there is no public transport option, several people are travelling together, carrying heavy items, or if disabled temporarily or permanently in a way which makes public transport difficult to use.

27.10 Congestion and toll charges will be reimbursed for journeys by car if this is the cheapest or most practical means of transport.

27.11 The cost of parking at the end or break in a journey when travel by car or motorcycle is the cheapest or most practical means of transport will be reimbursed.

27.12 Fines and Penalties are the sole responsibility of the employee.

27.13 Employees are eligible to claim subsistence expenses if they are required to work away from the normal workplace (overtime working not included) and meals are not being provided.

27.14 For meals taken away from the office on Big Creative Academy business or when working outside normal business hours:

- (a) Morning allowance of up to £4.50 to be paid where an employee begins working away from home and outside London more than one hour before their contractual starting time
- (b) Evening allowance of up to £8.00 to be paid where an employee is still working away from home and outside London more than two hours after their contractual finishing time.
- (c) General out of pocket expenses of up to £30.00 will also be paid for any overnight stay. Staff are encouraged, where possible, to stay with family and friends for overnight visits for which an allowance of £25 will be paid.
- (d) Employees working abroad will have an allowance of up to £25.00 for any 24 hours' period.

Receipts must be attached.

27.15 Accommodation should be booked in advance taking advantage of reduced cost websites such as www.booking.com. Allowances are as follows:

- Actual cost of hotel (with receipt).

27.16 Expense claims should preferably be submitted monthly but no later than quarterly (unless there are exceptional circumstances) within three months of the last date

covered and must be authorised by the line manager. Claim forms must be completed in ink and will not be processed if correction fluid is used.

27.17 Payment of claims will automatically be withheld if they are not made promptly or if journeys were not previously authorised, or if claims are deemed to be unreasonable, excessive or above the level previously authorised for the individual. No reimbursement for alcohol will be made.

27.18 VAT receipts for actual expenditure must be provided in order to claim reimbursement. Big Creative Academy will reimburse the cost of the meal as stated on the receipt or the amount stated above, whichever is the lower. In either case, receipts are essential.

27.19 This policy does not form part of employees' contracts of employment and will be reviewed regularly and may be changed to meet the needs of the Academy.

28. Gifts, Hospitality and Declaration of Interest

28.1 The Academies Financial Handbook (3.5) states that the Academy should have a policy on the acceptance of gifts, hospitality, awards, prizes or any other benefit which might be seen to comprise the personal judgement or integrity of and should ensure that all members of staff are made aware of this. When giving gifts, the Trust must ensure that the value of the gift is reasonable, is within the Trust's scheme of delegation, the decision is fully documented, and has due regard to propriety and regularity in the use of public funds.

28.2 The Academy will maintain a register in which such benefits are recorded and this will be held in the Finance Office.

28.3 Small token gifts that are given as part of the normal courtesies of life, for example seasonal gifts such as diaries or calendars and gifts expressing thanks rather than seeking to influence a business decision are acceptable but any gift with a value in excess of £50 should not be accepted without recourse to the Principal and then duly recorded in the register.

28.4 When giving gifts, the Academy will ensure that the decision is accounted for in the financial records and that it has been given with due regard to the propriety and regularity of Academy funds.

28.5 The Academy has set up a Staff Welfare/Hospitality budget heading for the purpose of providing funds for staff team building and morale. It will also cover cards and small gifts to a maximum value of £50 for the long-term sick or bereaved staff.

28.6 Assets bought for a proper purpose but no longer needed by the Academy up to a maximum value of £1,000 may be given to charity.

28.7 All staff and governors are required to sign a Declaration of Interest/Pecuniary Interest form prior to commencing their work with the Academy and this will be reviewed on an annual basis (usually September). Staff should declare their (and their spouse or partner) interest in any contract or relationship with contractors and non-financial interest such as personal and family relationships with students on roll.

29. Reserves

- 29.1 This policy establishes a framework within which decisions will be made regarding the level of reserves held by the Academy and the purposes for which they will be maintained and used.
- 29.2 There are a number of constraints placed upon academies in terms of financial management, one being the inability to borrow funds (Section 3.4 of the Academies Financial Handbook). Therefore, it is prudent to consider how the Academy will manage its cash, liquid assets and debt.
- 29.3 The Academy will maintain an adequate level of uncommitted reserves to provide a working balance to cushion the impact of uneven cash flow and provide a contingency to cushion the impact of unexpected events. Therefore, to mitigate any risk the academy will work on a figure to equate to one month's expenditure.
- 29.4 The uncommitted reserves balance will be continually reviewed and a projection on future balances will be made at key points during the financial year.
- 29.5 In accounting for the Local Government Pension Scheme the Academy recognises that there is a pension fund deficit which will be dealt with by an increase in the employer's pension contribution over a period of years.

30. Investment

- 30.1 The Academy will aim to invest surplus cash funds to optimise returns whilst ensuring the investments are such that there is no risk to the loss of these cash funds.
- 30.2 A rolling 12-month cash flow forecast will be prepared and monitored to ensure there are adequate liquid funds to meet all payroll related commitments and outstanding supply creditors that are due for payment. The Principal must be satisfied that the cash flow predictions are robust and the investment of surplus funds will not compromise the viability and sustainability of the activities of the Academy.
- 30.3 Once satisfied and where practicable the reserve should to be invested in tranches phased over a period of time to ensure the capital is not unavailable for a period longer than three months.
- 30.4 Initially investments should only be made with no-risk accounts with the bank.
- 30.5 Re-investment should automatically be undertaken for the capital sum and interest unless funds are identified as being required for immediate use.

31. Financial Agreements and Contracts

- 31.1 Negotiation for new legally binding agreements and contracts and the re-negotiation of existing ones are the responsibility of the Principal and will be conducted by those persons she nominates for the task.
- 31.2 Any new or re-negotiated contract with a financial cost or liability must be reported to the Finance and General Purposes Committee who will in turn ensure it complies with legal advice within the Academies Financial Handbook.
- 31.3 Agreements and contracts will, in the main, be signed by the Principal on behalf of the Academy; if the agreement requires two signatures the Finance Director will sign.

31.4 The signed agreements and contracts will be held on file by the Finance Director and kept for the period during which they are current.

32. Competitive Tendering

32.1 Purchases in excess of £5,000 must be supported by three written competitive quotations.

32.2 The budget holder will liaise with the Principal over the selection of the order. All paperwork must be handed to the Finance Director for retention on file.

32.3 Tenders for contracts under OJEU Threshold as per the table below will be advertised on the Big Creative academy website.

PUBLIC CONTRACTS REGULATIONS 2006 - FROM 1 JANUARY 2014 (Current pending outcome of Brexit)

	SUPPLIES	SERVICES	WORKS
Entities listed in Schedule 11	£111,676 (€134,000)	£111,6762 (€134,000)	£4,322,0123 (€5,186,000)
Other public sector contracting authorities	£172,514 (€207,000)	£172,514 (€207,000)	£4,322,0123 (€5,186,000)
Indicative Notices	£625,050 (€750,000)	£625,050 (€750,000)	£4,322,012 (€5,186,000)
Small lots	£66,672 (€80,000)	£66,672 (€80,000)	£833,400 (€1,000,000)

32.4 Where Big Creative Training has an existing contract with a company Big Creative Academy will bolt on to that contract if this is practical and where Big Creative Academy can see that there is value for money.

32.5 All contracts, agreements and purchases will be made on the basis of best value and fitness for purpose and may not routinely be the cheapest option.