



# LUX MUNDI

LIGHT OF THE WORLD ~ CATHOLIC ACADEMY TRUST

## Financial Procedures Policy 2025-6

**Lux Mundi Catholic Academy Trust**

Status Public  
2025

**APPROVED BY THE LOCAL GOVERNING BODY ON:.....**

**CHAIR OF GOVERNOR'S SIGNATURE:.....**

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## **Vision Statement**

- To be united as an outstanding Catholic educating and worshipping community, promoting spiritual, academic and moral growth.
- To enable all pupils and the wider community to learn so that they fulfil their potential and aspirations, growing and flourishing together as God has called us to do.
- To be a place of harmony, working in partnership to promote justice, respect, service, inclusiveness and collaboration as a community where all are equally valued and loved.
- To work together utilising our resources to ensure high quality teaching and learning and an ambitious, engaging, enriching and rewarding curriculum.

## **Mission Statement**

Lux Mundi Catholic Academy Trust is a guiding light dedicated to providing Catholic education that embraces and benefits all members of our diverse faith community. Our mission is to create a harmonious environment where everyone can flourish, guided by the principles of inclusivity and community. These values are central to our commitment to delivering high-quality teaching and fostering collaborative learning experiences.

By integrating the core values of Catholic education, faith, respect, and compassion, we ensure that our educational approach is academically enriching and nurturing for the whole person. Our dedication to inclusivity means we welcome students of all faiths and none, creating a community where everyone is valued and supported. This holistic approach prepares our students to be thoughtful, responsible citizens who contribute positively to society.

## **1. Introduction**

The purpose of this manual is to ensure that Lux Mundi Catholic Academy Trust (LMCAT) and all member academies maintain and develop systems of financial control that conform to the requirements of both propriety and sound financial management. These systems must operate correctly to meet the requirements of the funding agreement with the Department for Education (DfE) and comply with the principles of financial control outlined in the Academy Trust Handbook. This policy expands on that and provides detailed information on LMCAT's accounting policies and procedures.

## **2. Organisation**

LMCAT has defined the responsibilities of each person involved in the administration of its finances to avoid the duplication or omission of functions and to provide a framework of accountability for members, trustees, governors, staff, and other stakeholders. The financial reporting structure can be found in the Scheme of Delegation.

### Members

There are 5 Members, who are guardians of the governance of the Trust. All members are subject to a Section 128 check before appointment. They have ultimate control, appoint some of the directors and can change the constitution. Members hold the Board of Directors to account for the effective governance of the Trust and adherence to its charitable purpose. They have a minimal role in the actual running of the Trust, which is the responsibility of the Board of Directors.

### The Trust Board

The Board of Directors (The Trust Board) has overall responsibility for the administration of the LMCAT's finances. The Trust Board, comprising 7 directors, governs the Trust and is legally responsible for each academy. The Board is the key decision-making body, and meetings must take place at least 6 times a year. The Trust Board's purpose is to provide strategic leadership, accountability, assurance and engagement. The primary responsibilities of the Trust Board are prescribed in LMCAT's memorandum, articles of association and the DfE funding agreement. The Trust has delegated its financial resources and compliance responsibilities to the Finance & Resources Committee, as detailed in the Scheme of Delegation.

### The Finance & Resources Committee

The main responsibilities of the Committee are detailed in the 'Finance & Resources Committee Terms of Reference and the Scheme of Delegation.

### Audit and Risk Committee

The Trust Board has delegated its audit and risk responsibilities to the Audit and Risk Committee in relation to compliance with risk management and adequate internal operational controls at the Trust and academy level. The committee will oversee the completion of the school resources management self-assessment checklist before the CFO submits the completed checklist to the DfE by the specified annual deadline. This committee is also responsible for appointing an external auditor to provide scrutiny of LMCAT's yearly accounts and regularity assurance, in accordance with the Academy Trust Handbook. The main responsibilities of the Committee are detailed in the Committee's Terms of Reference and the Scheme of Delegation.

### The Accounting Officer (AO)

Within the framework of the LMCAT, the AO has overall executive responsibility for the LMCAT's activities, including its financial activities. The AO is responsible for delivering the annual report and accounts and a signed regularity statement to the Trust Board and Members. The AO is also the Chief Executive Officer (CEO). Further information can be found in the Scheme of Delegation.

### Chief Financial Officer (CFO)

The role of the CFO includes responsibility for:

- The management of LMCAT's financial position.
- The preparation of a 3-year budget forecast for approval by the AO and Finance & Resources

Committee.

- Submitting the 3-year budget forecast, once approved by the Trust, in the specified DfE format of an Academies Budget Forecast Return (BFR) by the end of August.
- The preparation of the monthly management accounts and capital position (including income and expenditure report identifying any variations to budget, cashflow forecasts and balance sheet), and presentation of these to the Chair of the Trust Board, the LMCAT AO and Headteachers every month; and the rest of the Finance, Audit and Risk Committee in accordance with the frequencies set out in the Academy Trust Handbook.
- The management of all payroll issues, liaison with the payroll agency, ensuring all monthly checks and controls are in place (with the support of the relevant finance teams within each academy).
- The maintenance of effective systems of internal control, including a month-end process with evidence of control account reconciliation and subsequent review.
- The maintenance of adequate accounting records and preparation of audited annual report and accounts in accordance with the Charity Commission's Statement of Recommended Practice (SORP) and DfE's Accounts Direction. The report and accounts must be:
  - Submitted to DfE by 31 December
  - Published on LMCAT's website by 31 January
  - Filed with Companies House by 31 May
  - Provided to every member and to anyone who requests a copy

### Finance Controller

The Finance Controller reports to the Chief Financial Officer (CFO) and is responsible for the day-to-day financial operations of the Trust. Key responsibilities include:

- Preparing monthly management accounts and financial reports for review by the CFO and Trust Board
- Ensuring timely and accurate processing of payroll, invoicing, and reconciliations
- Maintaining compliance with ESFA reporting requirements and internal financial procedures
- Supporting budget holders with financial planning and analysis
- Assisting in the preparation of statutory accounts and coordination with internal and external auditors
- Monitoring internal controls and identifying areas for improvement

### Local Governing Bodies

Each academy in the LMCAT has a local governing body, which is a committee appointed by the Board to conduct three core governance functions at the local level: ensuring clarity of Catholic vision, ethos and strategic direction; holding academy leaders to account for educational performance and ensuring money is well spent. Local governing bodies are accountable to the Board of Directors and must follow Trust priorities when exercising their responsibilities. The powers, constitution and proceedings of local governing bodies are set out formally in a Scheme of Delegation.

### Other Staff

Other members of staff, primarily those who are employed within the relevant finance offices and departmental budget holders, will have some financial responsibilities, and these are detailed in the following sections of this document and the Scheme of Delegation. All staff are responsible for the security of LMCAT property: for avoiding loss; for ensuring economy and efficiency in the use of resources; and for conformity with the requirements of the LMCAT's financial procedures.

## **3. Fraud, theft, irregularity and cybercrime**

LMCAT has robust procedures in place, including stringent monitoring in the form of monthly management accounts, and segregation of duties to minimise the risk of fraud, theft and irregularity. However, should fraud, theft or irregularity be suspected or identified, LMCAT will take appropriate action.

The board of trustees will [notify DfE](#) as soon as possible of all instances of fraud, theft or irregularity exceeding £5,000 individually, or £5,000 cumulatively in any financial year. Unusual

or systematic fraud, regardless of value, **will** also be reported. The following information is required:

- full details of the events with dates
- the financial value of the loss
- measures taken to prevent recurrence
- whether it was referred to the police (and if not why)
- whether insurance or the RPA have offset any loss.No

Notify the National Action Fraud on line.

#### Cybercrime

LMCAT is aware of the risk of cybercrime, has put in place proportionate controls and taken appropriate action where a cybersecurity incident has occurred.

LMCAT **will not** pay any cyber ransom demands. DfE supports the [National Crime Agency's](#) recommendation not to encourage, endorse, or condone the payment of ransom demands. Payment of ransoms has no guarantee of restoring access or services and is likely to result in repeat incidents.

#### **4. Register of Interests**

It is essential for anyone involved in spending public money to demonstrate that they do not benefit personally from the decisions they make. To avoid any misunderstanding that might arise, all members, trustees, governors and staff with significant financial or spending powers are required to annually declare any financial interests they have in companies or individuals from which the LMCAT may purchase goods or services. The register is open to public inspection and published on either the LMCAT's website or the individual academy's website.

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

The existence of a register of business interests does not, of course, detract from the duties of members, trustees, governors, and staff to declare interests whenever they are relevant to matters being discussed at a meeting. New declarations are also requested as a standing item at the start of any meeting of the members and trustees. Any new declarations are recorded within the minutes. Where an interest has been declared, which may impact on a purchasing decision, the relevant member(s), trustee(s), governor(s), or member of staff will be asked to leave the meeting whilst a decision is made.

#### Related Party Transactions

A related party is a person or an entity that is related to the reporting entity: A person or a close member of that person's family is related to a reporting entity if that person has control, joint control, or significant influence over the entity or is a member of its key management personnel.

As per the Academy Trust Handbook, the LMCAT must:

- Carefully consider the impact of this requirement and its relevance to transactions involving the chair of the Trust Board and the AO.
- Report all contracts and other agreements with related parties to DfE in advance of the contract or agreement commencing or being renewed, using DfE's online form.
- Obtain the DfE's prior approval, using the DfE's online form, before entering into any formal agreement or contract for the supply of goods or services to the LMCAT by a related party agreed on or after 1 September 2023, where a contract or other agreement exceeds £40,000 in the same financial year ending 31 August.

This approval requirement does not apply to:

- Contracts and other agreements for the supply of goods and services to a trust by specific educational establishments, ie, colleges, universities and schools which are sponsors of the academy trust; state-funded schools and colleges, including academy trusts.

This concession does not apply to transactions with a subsidiary of such a related party:

- the provision of services to an academy trust with a religious designation, for essential functions fundamental to the academy trust's religious character and ethos, which can only be provided by their religious authority

For the purposes of reporting to, and approval by DfE, contracts and transactions with related parties do not include salaries and other payments made by the LMCAT to a person under a contract of employment through the LMCAT's payroll.

#### Novel or Contentious Transactions

The CFO must advise the CEO of any novel, contentious or repercussive transactions, and must always refer them to DfE for approval; the request must be made to, and approved by, DfE before the transaction is agreed and before the transaction occurs.

- Novel transactions are those of which the academy trust has no experience or are outside its range of regular business.
- Contentious transactions are those that may cause criticism of the trust by Parliament, the public or the media.
- Repercussive transactions are those likely to set a precedent and cause pressure on other trusts or the broader public sector to take a similar approach and hence have wider financial implications, including where a trust's proposal could cause additional costs to arise for other parts of government.

### **5. Accounting system**

All academies within LMCAT use Access Education Finance to record their main day-to-day financial operations and transactions. The financial system runs on a paperless, cloud-based server and links each of the academy sites via the DfE Chart of Accounts, feeding into one central bank account, LMCAT, held with Lloyds Bank. Each academy will continue to record its own transactions separately against individual balance sheets, enabling individual academies to retain their own budgets and balances. This will also allow for monitoring at both the individual academy level and globally for the LMCAT.

Within the financial software, a separate section of the accounting system will also record the central costs of the LMCAT. This will record the central contribution from each academy (Top-slice) and the costs associated with the LMCAT central services.

The central and finance teams within each academy operate Access Education Finance, and consists of:

- Journals – at individual academy level
- Nominal Ledgers – shared across the LMCAT, but transactions are recorded at the academy level.
- Bank Reconciliation – at individual academy level
- Cashbook
- Transactions – at individual academy
- Purchases Ledger – shared across the LMCAT, but transactions are recorded at the individual academy level.
- Sales Ledger – shared across the LMCAT, but transactions are recorded at the individual academy level
- Payroll – as one payment through the bank. but recorded at the academy level via journals.
- Trial Balance – one for the LMCAT
- Inter Company Transfers – to record transactions across different academies within the LMCAT.
- Reporting Structures – at the individual academy level and as one for the LMCAT

#### System Access

Entry to Access Education Finance is password-restricted, and the CFO is responsible for implementing a system which ensures that passwords are changed frequently. The CFO holds the system administrator password for the system.

Access to the various modules of Access Education Finance can also be restricted, and the CFO is responsible for setting access levels for staff via the system administrator function.

## Transaction Processing

All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are included in the following sections of the manual. Bank transactions should be input by the relevant member of the finance team within each academy, and the input should be checked and signed by the CFO to evidence this check. Detailed information on the operation of Access Education Finance can be found in the user manuals held in the finance offices within each academy.

## Transaction Reports

The CFO will obtain and review system reports to ensure that only regular transactions are posted to the accounting system. The report obtained and reviewed will include:

- The weekly audit trail reports.
- Masterfile amendment reports for the payroll, purchase ledger and sales ledger; and
- Payroll reconciliations for individual academies
- Purchase invoice report with electronic authorisation details
- Management accounts summarising expenditure and income against the budget

## Reconciliations

The CFO 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.
- All suspense accounts; and
- Bank balance per the nominal ledger to the bank statement (although these will be done weekly – fortnightly depending on the number of transactions passing through the bank)

Any unusual or long-outstanding reconciling items must be brought to the attention of the AO.

## Storage and Retention

The electronic data in Access Education Finance is cloud-based. Any other supporting documents (e.g., invoices, contracts, bank statements, etc.) will be retained for 6 years, plus the current year.

## **6. Financial planning**

The LMCAT prepares both medium-term (3-yearly) and short-term (annual) financial plans. The medium-term financial plan is prepared as part of the development planning process. The development plan outlines how the LMCAT's educational and other objectives will be achieved within the expected level of resources over the next three years. The development plan provides the framework for the annual budget. The budget is a detailed statement of the expected resources available to the LMCAT and the planned use of those resources for the following year. The development planning process and the budgetary process are described in more detail below.

### Trust/School Improvement Plan

The Trust/school improvement plan (individual department and pastoral development plans sit behind this and feed from/into it) is concerned with the present and future aims and objectives of the LMCAT. It is central to the rigorous monitoring and evaluation systems, which are reviewed regularly by the Trust Board and its committees. Key elements of the plan should be costed, and required resources are funded at appropriate levels. Spending by departments/key budget holders is reviewed at least half-termly.

Key personnel are assigned to each key progress area by each respective academy's Senior Leadership Team, who monitor performance against defined success criteria throughout the year. The AO (CEO) will report to the Trust Board and its committees if there are significant divergences from the agreed plan and will recommend an appropriate course of action. Each year, the AO will propose a planning cycle and timetable to the Trust Board, which allows for:

- A review of past activities, aims and objectives - "Did we get it right?"

- Definition or redefinition of aims and objectives - “Are the aims still relevant?”
- Development of the plan and associated budgets - “How do we go forward?”
- implementation, monitoring and review of the plan - “Who needs to do what by when to make the plan work and keep it on course” and
- Feedback into the next planning cycle - “what worked and what can we improve?”

### Annual Budget Forecast return

The CFO is responsible for preparing and obtaining approval for the annual budget forecast return (BFR). The BFR must first be reviewed and agreed upon by the AO and the Finance and Resources Committee. Full ratification will then be sought and documented by the Trust Board.

The DfE will inform all academies of the deadlines for submitting the BFR, and the CFO is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.

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

The budgetary planning process will incorporate the following elements:

- Forecasts of the likely number of pupils to estimate the amount of DfE grant receivable.
- Review of other income sources available to the LMCAT to assess the likely level of receipts.
- Review of past performance against budgets to promote an understanding of the LMCAT cost base.
- Identification of potential efficiency savings; and
- Review of the main expenditure headings considering the development plan objectives, expected variations in cost, e.g. pay increases, inflation and other anticipated changes.

### Balancing the Budget

Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase revenue will be explored, and expenditure headings will need to be reviewed for areas where cuts can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and expenditure are in balance. If a potential surplus is identified, this may be held back as a contingency or allocated to areas of need.

### Finalising the Budget

Once approved by the Trust Board, the budget will be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.

The budget will be accompanied by a statement of assumptions and hierarchy of priorities so that if circumstances change, it is easier for all concerned to take remedial action. The budget will be seen as a working document, which may need revising throughout the year as circumstances change.

### Monitoring and Review

The CFO will prepare monthly management accounts, reporting to the CEO. The reports will detail actual income and expenditure against budget, both for budget holders and at a summary level for the AO and trustees. The reports will also include a balance sheet and cash-flow reports for the LMCAT, reflecting both the current and forecasted positions of the central bank account and investment accounts.

The monitoring process will be effective and timely in highlighting variances in the budget so differences can be investigated, and action taken where appropriate. If a budget overspend is forecast, it may be relevant to move money from another budget or from the contingency. All budget virements must be approved by those with authority for the respective financial levels applying for the time being under the scheme of delegation.

The reports will be done monthly at the individual academy level and also consolidated for the LMCAT via Access Education Finance.

## **7. Reserves Policy**

See Reserves Policy for details.

## **8. HR & Payroll**

### Staff Appointments

The Trust Board has approved a staffing structure for the LMCAT. The HR Director leads the central HR function, which maintains the personnel files for all members of staff across the Trust, including contracts of employment. All personnel changes must be notified, in writing, by the 1st (support staff) and 15th (teaching staff) of the month to the Payroll & Procurement Manager and CFO so that changes can be made which affect payroll and budget position. Further information can be found in the Scheme of Delegation.

### Publication of Pay

LMCAT will publish on its website, and the trust academies' websites, in a separate, readily accessible form, the number of employees whose benefits exceeded £100,000, in £10,000 bandings, for the previous year ended 31 August. Benefits for this purpose include salary, employers' pension contributions, other taxable benefits and termination payments. Where LMCAT has entered an off-payroll arrangement with someone who is not an employee, the amount paid by the trust for that person's work for the trust **must** also be included in the website disclosure where payment exceeds £100,000, as if they were an employee.

### Payroll Administration

The LMCAT utilises the services of Hackney Council and SGW Education to undertake its payroll function. Monthly reconciliation of payroll against payroll costing reports is undertaken by the Payroll & Procurement Manager, for final authorisation and authority to release payment by the CFO, before being journaled into the financial management system (Access Education Finance).

All staff are paid monthly on the 15<sup>th</sup> (support staff) or 30<sup>th</sup> day (teaching staff) of the month (except in December, when this will be moved to the last working day of term to allow for a pre-Christmas pay day).

Payroll costs, including pension contributions and payments to HMRC, are paid from individual academy bank accounts. These BACS payments (set up by the payroll provider) are debited from the main LMCAT account. Once payroll costs have been checked and agreed, the relevant journals will be made against each academy to record salary costs (including the LMCAT's executive and central teams).

The CFO will prepare 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. The AO will review this reconciliation.

After the payroll has been processed, the nominal ledger will be automatically updated at the academy level. Postings will be made both to the payroll control account and to individual cost centres. The Finance Controller will review the payroll control account each month to ensure the correct amount has been posted from the payroll system, individual cost centres for each academy have been correctly updated, and to identify any amounts posted to the suspense account.

### Payments

After payroll has been processed, but before payments are dispatched, the salary payments report by individual and the total amount payable will be obtained from the payroll provider. The report must be reviewed and authorised, together with the authority to release payment, by the CFO. All salary payments are made by BACS.

## 9. Procurement

LMCAT aims to achieve the best value for money from all its procurement by procuring what it needs in the correct quality, quantity, and time at the best price possible. A large proportion of its purchases will be paid for with public funds, and it needs to maintain the integrity of these funds by following the general principles of:

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

All financial transactions are recorded in Access Finance, which has internal delegation levels set by the CFO based on the Scheme of Delegation.

Limits for ordering and authorising payments are set on the Scheme of Delegation, as follows:

Member of staff/ Governing Body	Expenditure Authority Secondary schools	Expenditure Authority Primary schools
Budget Holder	£1,000	£500
Director of Resources/School Business Manager	£15,000	£5,000
Headteacher	£49,000	£25,000
Governors / Chair of Governors	+£49,001	+£25,001
CFO	£75,000	
CEO	*£100,000	
Finance & Resources Committee	*£100,000 when supported by agreed specification	
Trust Board	>£100,000 TBA depending on project * and when supported by relevant quotes and agreed specification.	

A competitive procurement procedure is in place and incorporated into the trust's financial framework, and the procurement rules and thresholds in the [Procurement Act 2023 and its associated regulations](#) and [Find a Tender](#) service are observed, detailed in the Procurement Policy and the Scheme of Delegations.

The CEO/CFO can appeal a decision made by the Finance and Resources through the Board.

Schools can appeal the decision on expenditure requests through the appeals process as set out below:

If a HT/LGB feels that their academy's spending request is unreasonable and wishes to appeal, then they should use the following process:

- 9a Write to the CFO, clearly stating the reasons for the appeal.
- 9b The CFO will review the appeal and arrange a meeting with the HT/LGB to discuss the appeal in more detail and try to resolve the concerns raised.
- 9c If the HT/LGB still wishes to continue with the appeal, the CFO will meet with the CEO to discuss the appeal and agree on the draft response.
- 9d The CEO will then take the appeal and draft a response to the next Finance, Audit and Risk Committee for discussion and ratification.
- 9e The CFO will report back to the relevant HT/LGB.
- 9f Should the HT/LGB still feel that the refusal is unreasonable, they can appeal to the Board via the Board Chair. Where the Board receives an appeal, it will review the process that the CFO/CEO has followed, including whether the LMCAT has considered the resource needs of the academy, providing an opportunity to provide any evidence they feel is relevant to the case and . The decision of the Board is final.

LMCAT funds are never used to purchase alcohol for consumption, except where it is to be used

in religious services.

### Routine Purchasing

Budget holders will be informed of the budget available to them at 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 can view live data via their Access Education Finance login, including balance(s), actual expenditure and any outstanding commitment(s) against budget.

All goods and services must have a Purchase Order raised through the finance system from LMCAT's approved supplier list, in line with the Scheme of Delegations. Payment may be delayed for invoices with no formal PO reference. The only exceptions to facilitate the practicalities and day-to-day operations:

- utility bills
- Supply cover invoices
- Photocopy lease invoices
- Gym lease invoices
- FM contract invoices
- Postage
- Food ingredient invoices

All invoices must be emailed to the relevant academy's finance office. Payment will only be made once the budget holder has authorised the invoice for payment on Access Education Finance. By authorising the invoice, the budget holder is also confirming that all goods have been received.

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.

At the end of the month, an aged creditor report will be reviewed, and the CFO will review any invoices over 30 days.

The finance teams within each academy will then input details of payments to be made to the purchase ledger and produce records for BACS payment. All BACS payments must be authorised by two of the nominated cheque signatories.

Procurement procedures for goods and services exceeding £10,000 are detailed in LMCAT's Procurement Policy.

### Leasing

Under UK financial reporting standards applicable to academy trusts, there are 2 types of leases:

- Finance leases: these are a form of borrowing
- Operating leases: these are not borrowing

Trusts **must** obtain DfE's prior approval for the following leasing transactions:

- Taking up a finance lease on any asset not on the DfE approved list in Changes to leasing agreements for academy trusts for any duration from another party, which are subject to the borrowing restrictions below:
  1. Academy trusts must obtain DfE's prior approval for borrowing (including overdraft facilities but excluding finance leases on the DfE-approved list) from any source, where such borrowing is to be repaid from grant monies or secured on assets funded by grant monies, regardless of the interest rate chargeable. Credit cards must only be used for business expenditure, and balances must be cleared before interest accrues.
  2. Permission for borrowing is only allowed in exceptional circumstances, such as schemes introduced by the Secretary of State for Education, for example, the department's Condition Improvement Fund.
- Taking up a leasehold or tenancy agreement on land or buildings from another party for a term of 7 or more years

- Granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party

Other than these, trusts do not require DfE's approval for operating leases.

Trusts **must** ensure any lease maintains the principles of value for money, regularity and propriety.

## **10. Income**

The primary sources of income are the grants from the DfE and from our sponsors. The receipt of these sums is monitored directly by the CFO, who is responsible for ensuring that all grants due to the LMCAT are collected. General Annual Grant funding (GAG) is paid monthly into each academy's bank account and reconciled within Access Education Finance.

Devolved Formula Capital (DFC) is paid into each academy's bank account. Academy capital priorities for buildings and other facilities are reviewed and recommended to the Trust under the remit of the Finance & Resources Committee. Funding is allocated within three financial years, with the first year being the year of payment. Any other capital funding (e.g., CIF, SCA) is ringfenced and must be used only for the project/purpose it was awarded.

Other sources of income include trips, student and staff meals, and other miscellaneous services. LMCAT operate on a cashless basis, so all non-banking income is processed through ParentPay, a cashless payment system for academies.

### Trips

LMCAT are pleased to offer students numerous academy trips to enhance the student experience. Each trip requires significant planning and preparation to ensure a risk-assessed and well-prepared environment for students and staff. All trips carry a level of risk, and it is the LMCAT's duty to reduce them to an 'acceptable' level.

The LMCAT has a detailed financial trips procedure which should be adhered to ensure that the trip is well organised, safe for the students, and financially viable. This procedure outlines the staff members who need to be involved, the order and timing of actions they must take, and the subsequent administration of trip income and expenditure.

### Lettings

At this time, only primary academies operate lettings, which are managed in-house or by a third-party company. Lettings income is paid on a monthly/quarterly basis and processed via a journal in Access Education Finance.

LMCAT academies hold their own individual policy on lettings and charges.

## **11. Cash Management Bank**

### Accounts

The opening of all accounts must be authorised by the Trust Board, which must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and signing arrangements. The operation of systems such as Bankers' Automatic Clearing System (BACS) and other means of electronic transfer of funds must also be subject to the same level of control.

### Deposits

Academies may collect small amounts of cash during special activities, such as non-uniform days. This money must be recorded through a paper receipt and banked into the academy's account. Deposits are routinely undertaken ad hoc when circumstances require. Usually, the sum collected is then paid out to a charity of choice.

Two members of the finance team are responsible for counting and collecting money for banking; this should take place in a secure location. Specifics of any deposit must be entered on a copy paying-in slip, counterfoil, or listed in a supporting book.

### Payments and withdrawals

All payments and other withdrawals from LMCAT bank accounts must bear the signatures of two authorised signatories from the bank mandate. For operational continuity, each academy has its own delegated staff designated to authorise payments. A copy of the master bank mandate for the main LMCAT Lloyds bank account is held on file at the LMCAT's Head Office.

This provision applies to all accounts, public or private, operated by or on behalf of the Trust Board. Authorised signatories must not sign a cheque or approve a BACS run relating to goods or services for which they have also authorised the expenditure.

Each academy within the LMCAT will produce a payment listing report, detailing the payments that will be made to suppliers, companies and individuals during the following week. The payment listing report should be sent to the CFO for prior approval before the bank is instructed to make the payments. This will allow the CFO to have an overview for cash-flow purposes.

### Administration

The CFO must ensure statements are received regularly and that reconciliations are performed at least monthly. Reconciliation procedures must ensure that:

- Bank accounts are reconciled to the LMCAT's cash book.
- Reconciliations are prepared by the finance teams within each academy and subsequently checked by the CFO; and
- Adjustments arising are dealt with promptly.

### Government Procurement (Credit) Cards and Other Payment Facilities

All academies within the LMCAT have a procurement credit card linked to the main bank account. The LGB must authorise applications for procurement cards. They must be named cardholders and recorded in the academy's finance manual. Cards must always remain locked in the safe(s). Their primary use is to enable the purchase of goods from the internet and/or where goods and services are cheaper than going through traditional suppliers. Under no circumstances are the procurement cards to be removed from the finance offices and given to any employee or used for personal procurement. It must always be locked securely in the safe when not in use for ordering online goods.

All procurement card transactions should follow the purchasing process above, with an order raised on the finance system and

The credit card balances are cleared in full, automatically each month via direct debit from the relevant bank account.

### Direct Debits

Direct debits should only be set up for essential costs associated with running the LMCAT (e.g. salary costs, rates and utilities). All requests for direct debit mandates must be approved by two out of three payment signatories, and the CFO should be informed. Payment for general goods, services and leases should, wherever possible, be paid on invoice, unless there is a financial saving by paying by direct debit. This provides greater control over cash flow. Direct debit payments, along with other transactions, will be reconciled as part of the regular bank reconciliation process at the LMCAT.

### Cash Flow Forecasts

The CFO is responsible for preparing monthly cash flow forecasts to ensure that the LMCAT has sufficient funds available to pay for day-to-day operations. If significant balances can be foreseen, steps will be taken to invest the extra funds. Similarly, plans should be made to transfer funds from another bank account or to re-profile Access Education Finance to cover potential cash shortages. Only by robust management of cash position will LMACT avoid becoming overdrawn on any of its bank accounts, which would result in a breach of restrictions on borrowing.

## Investments

To manage the risk of default, investments will only be deposited in banking institutions regulated and supervised by the Prudential Regulation Authority (PRA). Investments will be subject to a maximum exposure of £1M (see Investment/Reserves Policy for further details).

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

A sufficient balance must be held in the current account so that the LMCAT'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 needs and kept under review.

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

Two of the authorised signatories are required to sign instructions to the deposit being placed, and the CFO will monitor the cash position and cash flow forecast and report investments held to the Finance, Audit and Risk Committee at appropriate intervals.

## **12. LMCAT Central Contribution, Cross Charges and Loans**

Each academy within the Trust will contribute 4% of its General Annual Grant (GAG) towards centrally provided services. This contribution level was agreed by the Board of Directors in consultation with the schools joining the Trust, ensuring a fair and sustainable approach to shared resources.

The central contribution is used to fund services delivered by LMCAT that offer greater cost-effectiveness and strategic value when procured or managed collectively. During the first few weeks of the summer term, the CEO and CFO will meet with each academy to review their priorities and service requirements for the upcoming academic year. These discussions will inform the allocation of central resources, and the CEO will present recommendations to the Trust Board for final approval.

If a Headteacher (HT) feels that their academy's central contribution is unreasonable and wishes to appeal, then they should use the following process:

12a Write to the CFO, clearly stating the reasons for the appeal.

12b The CFO will review the appeal and arrange a meeting with the HT to discuss the appeal in more detail and try to resolve the concerns raised.

12c If the HT still wishes to continue with the appeal, the CFO will meet with the CEO to discuss the appeal and agree on the draft response.

12d The CEO will then take the appeal and draft a response to the next Finance, Audit and Risk Committee for discussion and ratification.

12e The CFO will report back to the relevant HT.

12f Should the HT still feel that their academy's central contribution is unreasonable, they can appeal to the Secretary of State via the DfE. Where the DfE receives an appeal, it will review the process that the LMCAT has followed, including whether the LMCAT has considered the funding needs of the academy.

12g Whether the LMCAT's internal appeals process has been applied. DfE will provide the academy and the LMCAT with the opportunity to provide any evidence they feel is relevant to the case. The decision of the Secretary of State would be final.

## **13. Fixed Assets**

### Asset Register

Existing items on each individual academy asset register will be consolidated as a starting point. All items purchased with a value over the LMCAT's capitalisation limit (set at £5,000) must be entered in an asset register.

## Assets, Stock, Depreciation and Capitalisation

The CFO is responsible to the Trustees for the safe custody and control of cash and other property belonging to the LMCAT.

The CFO will arrange for an asset register to be maintained and checked once per year against physical items valued over £5,000 net of VAT at purchase. All ICT equipment (including portable appliances) is documented on a central ICT asset register, which is held and maintained by the ICT support teams in each academy. Any discrepancies will be investigated and pursued to a satisfactory conclusion.

Please refer to the Scheme of Delegation for the authorised approval limits for disposals or write-off stock, assets, or debts.

In line with standard accounting practice, the LMCAT will apply a rate of depreciation at the year-end to all items which are valued at £5,000 or more.

## Acquisitions and disposal of fixed assets

The trust must obtain prior approval from DfE for the following transactions:

- Acquiring a freehold of land or buildings
- Disposing of a freehold of land or buildings
- Disposing of heritage assets, as defined in financial reporting standards, beyond any limits in the funding agreement for the disposal of assets generally

Other than land, buildings and heritage assets, trusts can dispose of other fixed assets without DfE's approval, subject to achieving the best price that can reasonably be obtained, and maintaining the principles of regularity, propriety and value for money.

## Write-offs and entering into liabilities

The academy trust **must** obtain DfE's prior approval for the following transactions beyond the delegated limits detailed within the Academy Trust Handbook, described below:

- Writing off debts and losses
- Entering into guarantees or letters of comfort
- Entering into indemnities which are not in the normal course of business

## Disposals

Items which are to be disposed of by sale or destruction must be authorised for disposal by the CFO and, where significant, should be sold following competitive tender. The LMCAT must seek the approval of the DfE in writing if it proposes to dispose of a single or combined asset for which more than £20,000 was paid.

Disposal of equipment to staff is not encouraged, as it may be more difficult to evidence the LMCAT obtained value for money in any sale or scrapping of equipment. In addition, there are complications with the disposal of computer equipment, as the LMCAT would need to ensure licences for software programmes have been legally transferred to a new owner.

The LMCAT is expected to reinvest the proceeds from all asset sales for which capital grant was paid in other LMCAT assets. If the sale proceeds are not re-invested, then the LMCAT must repay to the DfE a proportion of the sale proceeds.

LMCAT Accounting for Fixed Assets policy details the authorised approval limits for disposals or write off of stock, assets or debts and detailed requirements and values set out in the Academy Trust Handbook.

## Loan of Assets

Items of LMCAT property must not be removed from LMCAT premises without the authority of the head of department. A record of the loan must be centrally recorded and booked back in LMCAT when it is returned.

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 LMCAT's auditors.

## **14. Insurance**

LMCAT is insured through the DfE's Risk Protection Arrangement (RPA). This scheme insures all the academies within the LMCAT and covers all buildings, contents, trips/travel/activities and liabilities. The insurance, however, does not currently cover motor vehicles or plant machinery. Individual academies take additional cover to cover areas specifically not covered by the RPA.

## **15. Expenses and remuneration**

### Staff Expenses

LMCAT requires all staff to plan and follow the Procurement Procedure and to use the resources available. The Trust discourages staff from spending their own money. However, there are rare occasions when staff may incur expenses that cannot be easily arranged through usual channels (i.e. travel expenses to attend training, etc.).

Expenses must be claimed on an appropriate form, must be agreed upon in advance with the Budget Holder, and must be supported by receipts. Expenses cannot be reimbursed in cash and will only be paid by BACS. Please refer to the Staff Expenses policy for further information.

### Allowances for Members, Trustees and Governors

Please see the Governors' Expenses Policy.

### Discretionary awards to staff: Small gifts

In making gifts to staff, due regard must be had to propriety and regularity in the use of public funds. Therefore, any gifts to employees must be deducted from unrestricted funds or taken from a specific staff fund. They can only be authorised by the CEO/relevant HT/Director of IOE and cannot exceed £50 per employee. Each academy within the LMCAT will record such purchases within a specific cost centre so that there is a clear audit trail.

### Long service awards

Valued long service may be awarded under authority delegated to the AO at the following threshold: 25 years of continuous service with a gift to the maximum value of £250; again, this expenditure should be recorded and clearly documented as being taken from unrestricted funds.

### Special Payments

Special payments to staff may fall outside the usual range of Trust activity and may exceed statutory and contractual obligations. For that reason, special payments are to be generally avoided. However, the Trust Board accepts that on very rare occasions this may be considered if:

- The member of staff has gone above and beyond their call of duty and, by doing so, has saved the establishment significant 'financial burden' or they themselves, by their actions, have been financially compromised.
- The payment itself should be modest and clearly represent better value to the public purse than the alternative 'financial burden/compromise'.
- That all requests for such payments should be put in writing and presented to and agreed by the Finance, Audit and Risk committee before any payment is made. This decision, along

- with the supporting papers, should be minuted/filed on the appropriate committee file.
- That any such payment has a clear audit trail of being taken from the LMCAT's unrestricted funding/income.

### Special Staff Severance Payments

Special staff severance payments must be authorised by the CEO and reported to LMCAT before making any payment. Special staff severance payments are paid to employees outside statutory or contractual requirements when leaving public employment. They are different from ex gratia payments.

If LMCAT is considering a staff severance payment above statutory or contractual entitlements, it **must** consider the following issues before making a binding commitment:

- That the proposed payment is in the trust's interests
- Whether the payment is justified, based on legal assessment of the trust's chances of successfully defending the case at employment tribunal – if there is a significant prospect of losing the case, a settlement may be justified, especially if the costs of a defence are likely to be high – where a legal assessment suggests the trust is expected to be successful, a settlement should not be offered
- If the settlement is justified, the trust would need to consider the level of settlement – this must be less than the legal assessment of what the relevant body (for example, an employment tribunal) is likely to award

Staff severance payments should not be made where they could be seen as a reward for failure, such as gross misconduct or poor performance. The only acceptable rationale in the case of gross misconduct would be where legal advice is that the claimant is likely to succeed in an employment tribunal because of employment law procedural errors. In the case of poor performance, an acceptable comparison would be the time and cost of taking someone through performance management and capability procedures.

Where LMCAT is considering a staff severance payment including a non-statutory or non-contractual element of **£50,000** or more (gross, before income tax or other deductions), DfE's prior approval **must** be obtained before making any offer to staff.

Settlements **must not** be accepted unless they satisfy the conditions in the Academy Trust Handbook and in DfE's [guidance and submission template](#).

Additionally, in accordance with HM Treasury's [guidance on Public Sector Exit Payments](#), the trust **must** obtain prior DfE approval before making a special staff severance payment where either:

- an exit package which includes a special severance payment is at, or above, £100,000
- the employee earns over £150,000

## **16. Value Added Tax (VAT)**

The finance staff within each academy will ensure that VAT has been correctly charged to all purchases and, if relevant, any income and will observe VAT regulations in respect of all business activities.

Central Finance will claim back the VAT across all academies through the HMRC secure website. The income will then be reconciled back to the central bank account within 1-2 days. The CFO will review and sign off on the VAT Return and associated control account reconciliations. Records of all transactions with HMRC (including supporting documentation) will be kept on file. VAT reimbursements from the HMRC will then be distributed in full back to the relevant academy's nominal ledger.