

## **Financial Scheme of Delegation**

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### **1. Introduction**

Education and Leadership Trust was established on 1<sup>st</sup> September 2014.

The purpose of this document is to ensure that the Trust maintains and develops systems of financial control which conform with the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of our funding agreement with the Department for Education (DfE).

The Trust must also comply with the principles of financial control outlined in the academies guidance published by the Education Funding Agency (EFA).

This scheme of delegation of financial powers is designed to clarify who is responsible for what regarding all financial matters.

The scheme should be read in conjunction with the following documents:

- Academies Financial Handbook
- Operational financial procedure manual
- Competitive Tendering Policy
- Budget holder's guide

### **2. Powers and duties reserved by the Education Funding Agency**

The Trust is provided with guidance in the Academies Financial Handbook regarding what transactions require prior approval by the Secretary of State. This approval is sought via the EFA. The relevant parts of the Academies Financial Handbook are summarised below.

#### **a. Novel and contentious payments**

These should be referred to the EFA for explicit prior approval. Novel payments are those in which the Trust has no experience, or are outside the normal range of business activity for the Trust. Contentious payments are those which might give rise to criticism of the Trust by the public or the media.

#### **b. Liabilities and write-offs**

The Trust may perform the following transactions up to the limits set out below: writing off debts and losses (including any uncollected fines); entering into guarantees, indemnities or letters of comfort (excluding those relating to borrowing by the Trust). The limits are:

- 1% of total annual income or £45,000 (whichever is the smaller) per single transaction
- Cumulatively, 2.5% of total annual income in any one financial year per category of transaction for any Trust that have not submitted timely, unqualified financial returns for the previous two financial years. This category will include Education and

Leadership Trust during its first 2 years of operation until it has had the opportunity to produce two years of financial statements.

- Cumulatively, 5% of total annual income in any one financial year per category of transaction for any Trust that has submitted timely, unqualified financial returns for the previous two financial years.

Beyond these limits the Trust must seek and obtain explicit and prior approval of the Secretary of State (through the EFA) to the transaction. The authority to approve these transactions up to the limits given above has been delegated to the Trust Finance Committee (see below).

### **c. Asset sales, leases and tenancy agreements**

The Trust must seek and obtain explicit and prior approval from the Secretary of State, via the EFA, before:

- Entering into any freehold sales or purchases.
- Granting any leasehold or tenancy agreement, regardless of length.
- Taking up any leasehold or tenancy agreement for more than three years.

## **3. Powers and duties reserved for the Trust Board**

The Trust Board has overall responsibility for the administration of the Trust's finances. The main responsibilities of the Trust Board are prescribed in the Funding Agreement between the Trust and the DfE. The full responsibilities are documented in the written terms of reference which have been authorised by the Board. Regarding financial controls, the Trust Board shall be responsible for:

### **a. Scheme of Delegation**

Approving a written scheme of delegation of its financial powers and duties to its Finance and Audit Committee, the Chair of the Trust Board, the Executive Headteacher, The Academy Headteachers, the Business & Finance Managers and other staff. The scheme must satisfy the Trust Board's ultimate responsibility for ensuring that there are adequate operational controls in place for all the financial processes within the academies and that value for money and probity is maintained. It should be noted that the Scheme of Delegation complements the Trust's Operational Financial Procedures Policy and should be operated in conjunction with this document. The Scheme of Delegation should be reviewed and approved on a regular basis (at least annually) in respect of its content and effectiveness in operation, and against any weaknesses exposed either in the external or internal audit reports. The approval should be formally minuted through the Finance Committee on behalf of the Trust Board.

### **b. Audit**

Formally appointing the external audit providers, following recommendation made by the Finance Committee.

Receiving and considering the full Audit Management Report for the Trust issued by the Trust's external audit provider, which should be presented to the Trust Board for approval and acceptance within three months of the financial year-end.

Liaising with the external audit provider, if the auditor suspects any irregularity affecting resources of the Trust.

Formally agreeing the internal audit provision for the Trust, following recommendation made by the Finance Committee.

Receiving and considering appropriate internal audit reports from the Finance Committee.

Keeping the Department for Education (DfE) informed of any suspicions relating to resource irregularity identified through either internal or external audit processes.

### **c. Budgets/Budgetary Control**

Receiving and considering a full report of the Trust's accounts and financial position as at 31<sup>st</sup> August each year for approval and sign off within three months of the financial year-end.

Formally approving (and minuting the approval of) the Trust's 3-year budget plan annually, by the start of the new financial year.

Receiving and considering minutes of budgetary control reports from every meeting of the Finance Committee with relevant explanations and supporting documentation where required.

The Chair of the Trust Board or the Chair of the Finance Committee may increase or decrease income and expenditure estimates up to a maximum value of £100,000. Any such change must be reported to the next Trust Finance meeting. Any change greater than £100,000 must be approved at a Trust Board meeting.

### **d. Contracts and Major Purchases**

Authorising any purchases over £100,000, including those over the OJEU limit.

Maintaining a Register of Business Interests (to include details of any controlling share holdings and/or substantial financial interests in organisations whose supplies or services could conceivably be linked to the Trust or whose supplies or services could conceivably be linked to the Trust in the future), for all Directors, Governors, Senior staff, Executive Headteacher, Academy Headteachers, Business & Finance Managers and any other key staff with a role in selecting contractors or suppliers for major purchases. This will be used to ensure there are no conflicts of interest in awarding major works or that any such interest is declared in advance so that the individual can be removed from any decision taking on the award of such a contract or major purchasing decision.

### **e. Staff severance payments and compensation payments**

As per the Academies Financial Handbook, in considering making a staff severance payment above the contractual entitlement, the full Trust Board will consider the following:

- Whether such a payment is justified, based on a legal assessment of the chances of the Trust successfully defending the case at tribunal. If the legal assessment suggests a better than even chance of winning, there is no rationale for settling the case. But where the case will be lost, there is a justifiable rationale for the settlement.
- If the settlement is justified, the Trust will then consider the level of settlement. This must be less than the legal assessment of what the relevant body (e.g. an Employment Tribunal) is likely to award under the circumstances.

Special severance payments should not be made where they could be seen as a reward for failure, such as dismissal for gross misconduct or poor performance. The only acceptable rationale in the former case would be where the claimant will win an Employment Tribunal claim because of employment law procedural errors. In the latter, an acceptable comparison would be the time and cost of taking someone through performance management and improvement procedures.

If the Trust is considering making a compensation payment, it must consider whether the proposed payment is based on a careful appraisal of the facts, including legal advice and that value for money will be achieved. It is also good practice to consider routinely whether particular cases reveal concerns about the soundness of the control systems; and whether they have been respected as expected. It is also important to take any necessary steps to put failings right.

Where the MAT is considering making a special staff severance payment or compensation payment above the contractual entitlement of £50,000 or more, prior approval will need to be sought from HM Treasury, via the EFA, before any such payment can be made.

#### **4. Powers and Duties delegated to the Finance and Audit Committee**

The Finance and Audit Committee is a sub-committee of the Trust Board. The Finance Committee meets at least once a term but more frequent meetings can be arranged if necessary.

A requirement of the Academies Financial Handbook, produced by the EFA, is that the Trust has an Audit Committee in place. In the first instance, the Trust Board has agreed for the functions of the Audit Committee to be met within the existing Finance Committee but a separate Terms of Reference has been developed to differentiate the responsibilities.

The Finance Committee shall be responsible to the Trust Board for:

##### **a. General**

Exercising the powers and duties of the Trust Board in respect of the financial administration of the Trust, other than for those items specifically reserved for the Trust Board. Also for overseeing those responsibilities delegated to the Executive Headteacher, the Academy Headteachers and those delegated to other staff including the Business & Finance Managers.

Holding a meeting at least once per term (three times a year) at which matters of finance and related items are discussed. Actions are agreed under delegated powers and key points reflected in the minutes of that meeting. Copies of these minutes are made available to all Directors and all members of the Senior Leadership Teams (SLTs).

Providing guidance to the Trust Board and other sub-committees regarding financial matters.

Approval of any self-assessment or financial documentation submitted to the EFA.

Noting any recommendations made following DfE operated Financial Management Reviews of the Trust as a custodian of public funds and agreeing an action plan for any necessary improvements.

Approving the Trust's Financial Procedures Policy and all corresponding financial policies relating to systems of financial control.

Approving the disposal of assets of a current net book value of greater than £500.

**b. Budgets/Budgetary Control**

Agreeing a draft of the annual budget plan on behalf of the Trust Board (and for subsequent approval by them), with indicative budgetary figures for the following two years.

Considering budgetary control reports on the Trust's financial position at every meeting, taking appropriate action to contain expenditure within the budget and monitoring achievement of value for money, and outturn costs versus budgeted costs, for major expenditure. These matters are also reported on to the Trust Board, whilst also informing the SLTs.

Reporting to the Trust Board about all significant financial matters, and any actual or potential overspending, including where such matters may have implications for the ongoing educational management of the Trust and/or for student outcomes.

Approving the write off of any bad debts that will affect the accounts, up to the limits that require EFA approval (see section 2).

**c. Audit**

Involvement in the selection process for both internal and external audit provision, making a recommendation for appointment to the Trust Board.

Attend a meeting with the external auditors prior to final accounts being presented to the Trust Board to discuss the accounts and in particular the contents of the management letter.

Agreeing a programme of works for the internal audit provision, taking into account key risks for the Trust.

Review reports provided by both internal and external audit provision and ensure actions and recommendations are met by management.

**d. Contracts and Major Purchases**

Authorising purchases over £50,000 and up to £100,000.

**5. Powers and Duties delegated to the Executive Headteacher**

The Executive Headteacher has delegated overall executive powers and functions in respect of internal organisation, management and control of the Trust. Whilst the Executive Headteacher retains overall executive responsibility for the financial operations incorporated within the above and is referred to as the Accounting Officer for the Trust, much of the day-to-day financial management is directly delegated to the Academy

Headteachers and Business & Finance Managers as outlined in section 6. The Executive Headteacher will however, hold direct or joint responsibility for the areas detailed below:

**a. Budgetary control**

Reviewing income and expenditure documentation highlighted by the Academy Headteachers and Business & Finance Managers, where actual or potential overspending or poor value for money is indicated and taking the appropriate action jointly with the Academy Headteacher and Business & Finance Manager to remedy the situation and for reporting this to the Finance Committee.

Approving the virement between (and within) budget headings within any year, where such virement has a value of less than £30,000 per annum.

Approving an increase or decrease in the net budget for the year up to a maximum of £30,000 per annum.

In the case of additional funding, the Executive Headteacher may increase income and expenditure estimates to match the funding available.

**b. Contracts and Purchasing**

Authorising expenditure of between £10,000 and £50,000 in value.

Signing contracts together with the Academy Headteachers and Business & Finance Managers on behalf of the Finance Committee.

Acting as a signatory/authoriser for the bank for both cheques and BACS payments.

**c. Security of Assets**

Ensuring (jointly with the Academy Headteachers and Business & Finance Managers), that proper security is maintained at all times for all buildings, furniture, equipment, vehicles, stocks, stores, cash, information and records etc. under his/her control.

**d. Personnel**

Approving all new staff appointments (other than direct reports, whose appointments shall be subject to the authorisation of the Chair of the Trust Board), within the authorised establishment.

Terminating the contract of a permanent member of staff after consultation with the Chair of the Trust Board, or the non-renewal of a temporary staff contract in accordance with employment law and the relevant personnel policies adopted by the Trust.

**6. Powers and Duties delegated to the schools' Business & Finance Managers**

The schools' Business & Finance Managers work in close collaboration with the Academy Headteachers, and the Executive Headteacher through whom they are directly responsible to the Trust Board. The Business & Finance Managers also have direct access to the Trust

Board via the Finance Committee. The main responsibilities of the Business & Finance Managers are:

**a. Banking Arrangements**

Maintaining proper records of account, reviewing monthly bank reconciliations and ensuring there is an adequate segregation of duties.

**b. Audit**

Ensuring that all records and documents are available for audit by the appointed external auditors, and liaising with the external auditors throughout the year to ensure a smooth and efficient audit process.

**c. Budgets/Budgetary Control**

Regular monitoring of expenditure and income against the approved budget and submitting reports on the Trust's financial position to every meeting of the Finance Committee. Any actual or potential overspending shall be reported to the Finance Committee.

Preparing an annual draft budget plan for consideration by the Finance Committee before the start of the relevant financial year.

Consulting on and implementing virements with the Academy Headteacher's approval between and within budget headings up to a value of £30,000. Any virement beyond this level is subject to approval of the Executive Headteacher and the Chair of the Trust Board or the Chair of the Finance Committee.

**d. Contracts and Purchasing**

Authorising expenditure of up to £10,000 in value.

Signing contracts together with the Headteacher on behalf of the Finance Committee.

Acting as a signatory/authoriser for the bank for both cheques and BACS payments.

Ensuring that all contracts, contractual agreements and major purchases conform with the Financial Procedures Policy of the Trust and where relevant, as stated within contract law.

Maintaining a register of formal contracts entered into, amounts paid and certificates of completion.

Receipt and custody of all tenders.

Retention of quotes obtained for goods, works and services.

**e. Financial Management**

The day to day management of financial issues including the establishment and operation of a suitable accounting system.

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The management of the Trust financial position at a strategic and operational level within the framework for financial control determined by the board.

The maintenance of effective systems of internal control.

Ensuring that the annual accounts are properly presented and adequately supported by the underlying financial records of the Trust.

Ensuring all forms and returns are sent to the EFA in line with all published deadlines.

### **f. Insurances**

Ensuring the placing of and the timely payment for adequate insurance arrangements and the seeking of best value in such provision along with identifying and costing new areas of risk cover. Also for notifying the Finance Committee on any eventuality that could affect the insurance arrangements in place at the Trust.

### **g. Payments**

Ensuring that all invoices are correct and duly certified (in terms of receipt, cost and being in line with the original requisition), by authorised staff before payments are made and that invoices, vouchers and other records are retained and stored in a secure way and are readily available for inspection by authorised persons.

### **h. Income**

Ensuring that all income is accurately accounted for and is promptly collected and banked in line with the Financial Procedures Policy.

### **i. Salaries, Wages and Pensions**

Authorisation of the monthly payroll adjustment schedule affecting payments to employees.

### **j. Security of Assets**

Maintaining a permanent and continuous register of all capitalised items of furniture, equipment, vehicles and plant.

### **k. Personnel**

Ensuring that a full range of policies is maintained to cover all aspects of personnel matters including those relating to disciplinary action and grievance procedures. Also for ensuring their adequacy and that they are kept up-to-date.

Maintaining a Single Central Record covering: all staff appointments, Executive Board members, Local Governing Body members and any volunteers assisting within the Trust.

## **7. Powers and Duties delegated to the Deputy Headteacher(s)**



The Deputy Headteacher(s) work closely with both the Academy Headteacher and the Business & Finance Manager to support the efficient operation of the financial procedures. The main responsibilities of the Deputy Headteacher(s) are:

**a. Contracts and Purchasing**

Authorising orders below £5,000 in conjunction with the budget holder.

Signing cheques / authorising BACS payments in conjunction with the Headteacher or other authorised signatory.

**8. Powers and Duties delegated to Other Staff**

Other members of staff, primarily the finance team and budget holders, will have some financial responsibilities and these are detailed in the financial procedures manual.

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

**a. Contracts and Purchasing**

Designated Budget holders may authorise orders up to the value of £5,000.

**9. Quotations and Tendering**

In addition to the authorisation limits included above, the following purchasing rules should be noted:

**Purchases > £2,000**      A minimum of 3 written quotations to be sought and retained with the order as evidence of best value.

**Purchases > £50,000**      Formal procurement process to apply, including competitive tendering.

**Purchases > OJEU threshold**      Adherence to EU procurement law.

Should a purchasing decision be made that is not the cheapest quote, this will require additional approval by the Academy Headteacher. Should such a purchase be of a value that requires Finance Committee or Trust Board approval, it should be clearly minuted as to why the cheapest quote has not been chosen.

The Trust Board notes that for some purchases there are in practice no alternative suppliers available. In addition, some purchases are made on a regular basis and the practice of obtaining at least 3 quotes for each purchase is time consuming and would not represent best value.

The Trust Board has therefore delegated responsibility to the Finance Committee to maintain an Approved Suppliers list which can be referenced for the purchase of such

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items, thereby negating the need to obtain a number of quotes. The Finance Committee will agree what items can be purchased using the Approved Suppliers list and will ensure that the list is reviewed regularly, at minimum annually, to ensure the selected suppliers remain competitive and appropriate.

Full details of the tendering process can be found in the Trust's Competitive Tendering Policy.

## 10. Summary of Delegated Authority Limits

| <b>Delegated Duty</b>                                  | <b>Value</b>                             | <b>Delegated authority</b>                                      | <b>In consultation with</b>              |
|--|--|---|--|
| Virement between budget lines                          | Up to £50,000                            | Executive Headteacher   | Reported to next LGB Finance Committee   |
|  | Between £50,000 and £100,000             | LGB Chair of Governors or Chair of Finance Committee            | Reported to next LGB Finance Committee   |
|  | Over £100,000                            | Full Trust Board  |  |
| Increase or decrease in the net budget                 | Up to £50,000                            | Executive Headteacher   | Reported to next Trust Finance Committee |
|  | Between £50,000 and £100,000             | Chair of Trust or Chair of Trust Finance Committee              | Reported to next Trust Finance Committee |
|  | Over £100,000                            | Full Trust Board  |  |
| Amendment of budgets in the case of additional funding | Unlimited to match the funding available | Academy Headteacher   | Reported to next LGB Finance Committee   |
| Cheque / BACS payment authorisation                    | all                                      | 2 signatories   |  |
| Order requisitions / invoice approval                  | Up to £5,000                             | Budget holder, Deputy Headteacher or Business & Finance Manager |  |
|  | £5,000 to £10,000                        | Academy Headteacher   |  |
|  | £10,000 to £50,000                       | Executive Headteacher   |  |

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|--|---|--|--|
|  | £50,000 to £100,000   | Trust Finance Committee  | LGB Chair of Governors or Chair of Finance Committee |
|  | Over £100,000   | Full Trust Board   |  |
| Quotations and tendering<br><br>(see Competitive Tendering Policy) | £2,000 to £10,000   | A minimum of 3 written quotes                                    |  |
|  | £10,000 to £50,000  | Detailed written specification and submission ( 3 formal quotes) |  |
|  | Over £50,000  | Formal procurement<br><br>(four tenders)                         |  |
|  | Over OJEU threshold   | Adherence to EU procurement law<br><br>(five tenders)            |  |
| Disposal of assets   | Up to £500 current net book value   | Business & Finance Manager                                       |  |
|  | £500 to £5,000 net book value   | LGB Finance Committee  |  |
|  | Over £5,000 current net book value  | Trust Finance Committee  |  |
| Write off of bad debts   | 1% of total annual income or £45,000 (whichever is the smaller) per single transaction.<br>In first 2 years of operation - cumulatively, 2.5% of total annual income in any one financial year per category of transaction. | Trust Finance Committee  |  |
|  | Over the limits given above   | EFA approval   |  |

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|   |   |                         |  |
|---|---|-------------------------|--|
| <p>Entering into any freehold sales or purchases.<br/>Granting any leasehold or tenancy agreement, regardless of length.<br/>Taking up any leasehold or tenancy agreement for more than three years</p> | <p>Any</p>  | <p>EFA Approval</p>     |  |
| <p>Staff severance payments and compensation payments</p>   | <p>Up to £50,000 over the contractual entitlement</p>   | <p>Full Trust Board</p> |  |
|   | <p>£50,000 or more over the contractual entitlement</p> | <p>EFA Approval</p>     |  |
| <p>Novel and contentious transactions</p>   | <p>Any</p>  | <p>EFA Approval</p>     |  |