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Inspira Academy Trust
CEO – Dean Jones



Financial Handbook

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Review Procedures

This Policy will be reviewed regularly and revised as necessary. Any amendments required to be made to the Policy as a result of a review will be presented to the Board of Trustees for acceptance.

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Introduction

The purpose of this manual is to ensure that the Inspira Academy Trust (the Trust) maintains and develops systems of financial control which comply 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 Education Secretary.

The trust must comply with the principles of financial control outlined in the guidance published by the Education and Skills Funding Agency (ESFA) in the Academies Trust Handbook. This manual expands on that and provides detailed information on the trust's accounting procedures. The manual should be read by all staff involved with financial systems.

All figures stated in this handbook are net (excludes VAT)

The seven principles of public life

The trust is committed to the 'seven principles of public life' and the ESFA has emphasised that accounting officers must adhere to these. These are:

- Selflessness. Holders of public office should act solely in terms of the public interest.
- Integrity. Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
- Objectivity. Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- Accountability. Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- Openness. Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- Honesty. Holders of public office should be truthful.

- Leadership. Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Definitions

The meaning of 'member'

The members of an academy trust have a different status from the trustees. The members are the subscribers to the trust's memorandum of association, and any other individuals permitted to become members under its articles of association. Members have an overview of the governance arrangements of the trust and have the power to appoint trustees and remove these trustees.

Members can amend the articles and may do so to support stronger governance arrangements.

The meaning of 'trustee', 'director' and 'governor'

The trustees are the same body of people as the directors of the company. These words are used interchangeably.

The trustees focus on three core functions:

- ensuring clarity of vision, ethos and strategic direction
- holding executive leaders to account for the educational performance of the organisation and its pupils, and the performance management of staff
- overseeing and ensuring effective financial performance.

They are the people responsible under the trust's articles of association for controlling its management and administration. They have responsibility for directing its affairs, and for ensuring that it is solvent, well-run, and delivering the trust's charitable outcomes for the benefit of the public.

Proper and regular use of public funds

The trust must ensure that:

- Spending of funds has been for the purpose for which the funds were given.
- No trustee, governor, employee or connected party has benefited personally from the use of trust funds.
- All trustees have completed the register of business interests and there are measures in place to manage any conflicts of interest.

- There are no payments to any trustee unless such payment is permitted by the articles of association and, where applicable, comply with the terms of any relevant agreement entered into with the Education Secretary.
- The senior officers' payroll arrangements fully meet their tax obligations and comply with the Treasury's directions regarding the employment and contract arrangements of individuals on the avoidance of tax.
- There is probity in the use of public funds.
- A competitive tendering policy is in place and applied.
- There is no disposal of publicly funded assets without the Education Secretary's consent, where such consent is required.

Management of risk

The trust has in place a policy for the management of risk which includes the requirement for the regular maintenance and review of a comprehensive risk register. The risk register contains details of designated individuals who oversee particular areas of risk. It is presented to the Finance, Audit and Risk committee for discussion on an annual basis or more frequently if the trust's activities change.

The trust's risk management policy includes the requirement for a business continuity plan and contingency arrangements which would come into effect in the event of a disaster in order to ensure day-to-day operations are maintained.

The trust's anti-fraud policy is reviewed on an annual basis and is in place to minimise the risk of fraud or theft within the academy. In the event of a report of potential fraud, the provisions of the antifraud policy are invoked.

Risk management arrangements are monitored by the Finance, Audit and Risk Committee and reported to the trust board at least annually, and more frequently if the academy's activities change.

Insurance

All schools within The Inspira Academy Trust must be members of the ESFA'S Risk Protection Arrangement. Additional insurance not included in the RPA scheme must be purchased by the individual member schools following consultation with the Chief Finance Officer.

The Finance, Audit and Risk Committee reviews insurance arrangements annually. During this process, the Finance, Audit and Risk Committee considers the relative advantages and disadvantages of the DFE's risk protection arrangements and commercial insurance cover. They ensure that the sums insured are commensurate with risks and include cover for academy property when off the premises.

The main types of insurance cover in place are:

- Premises and contents. These are insured at replacement value of the property.
- Business interruption.
- Employers' liability.
- Third party liability.
- Members, Trustees and Governors liability.
- Professional indemnity.
- Loss of assets through fraud or dishonesty on the part of employees.
- Money.
- Personal accident.
- School trips (UK & overseas).
- Legal expenses.
- Cultural assets.
- Cyber cover

Details of all insurance policies held by the trust are kept in the office of the Chief Financial Officer.

The trust does not give any indemnity to a third party without the written consent of their insurers.

Claims under an insurance policy are authorised by the Chief Financial Officer before submission to the insurer.

Any member of staff using their own car for academy purposes must ensure that their personal motor insurance includes business use. The

trust maintains a register of staff using their own vehicles and evidence of compliance to this policy, which is signed by the users to acknowledge that the insurance cover provision has been made.

Responsibilities

Introduction

The trust has defined the responsibilities of each person involved in the administration of trust finances to avoid the duplication or omission of functions and to provide a framework of accountability for trustees and staff.

Local Governing boards

The local governing board has responsibility for ensuring that the trust's funds are used only in accordance with:

- The law.
- Their powers under the funding agreement and the articles of association which set out the powers of the trust and its governance arrangements.
- The Academies Trust handbook.

Trust Board

The trust board is responsible for the proper stewardship of the trust's funds and for ensuring economy, efficiency and effectiveness in their use. It must also ensure that it uses its discretion reasonably, and takes into account relevant guidance on accountability and propriety.

The members of the trust board are charity trustees and company directors.

As charity trustees they are required to:

- Ensure compliance with legal obligations, the terms of the funding agreement and the Academies Trust Handbook.
- Safeguard the trust's resources and assets, and ensure they are effectively managed.
- Report on the trust's activities.
- Fulfil the charitable object of the charity as set out in the articles of association.
- Comply with the rules of the charity as set out in the articles of association.
- Ensure regularity, propriety and value for money.
- Act with integrity and avoid any personal conflicts of interest.
- Not to misuse charity funds or assets.

- Act prudently in the financial management of the charity, avoiding putting the assets, funds or reputation of the charity at risk.
- Exercise reasonable care and skill, using personal knowledge and experience to ensure the charity is well run and efficient.
- Act responsibly, obtaining advice from others, including professional advisers, where appropriate.

As company directors, they are required to:

- 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 any interests in proposed transactions or arrangements.

The specific tasks of the trust board are to:

- Appoint a Chief Executive Officer (CEO) for the trust who will also hold the position of Accounting Officer.
- Appoint the trust's Chief Financial Officer (CFO).
- Appoint an independent clerk (Governance Professional) to the trust board who is someone other than a trustee, headteacher or Chief Executive of the trust.
- Meet at least three times a year to discharge its responsibilities as defined in the Academy Trust Handbook and according to the trust's financial procedures manual.
- Approve the trust's development plan and minute their approval.
- Approve the trust's budget and minute their approval.
- Submit the trust's budget to the ESFA in the form they require by the specified date.
- Notify the ESFA of significant changes to the budget.
- Comply with the ESFA's requirement to obtain its permission before entering into certain transactions.
- Manage the trust's tax affairs in accordance with legislation and avoid any penalties.
- Ensure the financial health of the trust and have in place:
 - Sound internal control procedures.
 - Risk management procedures.
 - Adequate insurance cover.
 - A business continuity plan.
 - Arrangements for reviewing and approving the trust's establishment number, determining conditions of

employment and levels of payment and progression for employees.

- Approve the trust's written scheme of delegation.
- Approve the trust's accounting policies.
- Maintain proper accounts.
- Prepare annual financial statements.
- Appoint a registered auditor, avoiding conflicts of interest.
- Ensure compliance with the Academy Trust Handbook, the funding agreement, the trust's articles of association and other relevant legislation.
- Declare any pecuniary interests.
- Refuse benefits from third parties.
- Publish a governance statement within its annual financial statements.
- Carry out an annual review of the governance structure, including the range of skills available to the trust board.

Frequency of board meetings

The trust board is aware that the ESFA recommends that medium-size and larger trusts, and any undergoing a period of change, consider more frequent board meetings than are required under their articles and complies with this requirement by including this as a standard agenda point at each of its meetings. The board identifies the actions it needs to accomplish during the year and this governs the frequency of meetings.

The board and its committees meet regularly enough to discharge their responsibilities under the articles of association, funding agreement and the handbook, to ensure robust governance and effective financial management arrangements.

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

Finance, Audit and Risk Committee

The trust board has established a Finance, Audit and Risk Committee, which meets three times a year, or more frequently if necessary. This committee is responsible for monitoring and making recommendations to the trust board on matters related to the budget and finance, and the deployment of resources in accordance with the trust's development plan. The trust board has:

- Defined its terms of reference.

- Prescribed the extent of its delegated authority and reporting requirements to enable the trust board to discharge its responsibilities.
- Ensured it receives minutes of the committee's meetings.

The trust board reviews the Finance, Audit and Risk Committee's remit and membership annually.

The trust is aware that it is not required to have a dedicated audit committee until annual income exceeds £50 million. However, the trust believes it is prudent and good practice to have this additional control, and therefore the trust has established an **audit agenda** within the Finance Audit and Risk Committee, to provide assurance to the trust board that risks are being adequately identified and managed by:

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

Members do not include staff employed within the trust. However, they may attend for the purposes of reporting and discussion. The accounting officer is routinely in attendance.

Accounting officer

The trust's designated Accounting Officer is the Chief Executive Officer who has personal responsibility to the trust board, parliament and the accounting officer of the ESFA for the resources under their control. The essence of the role is:

- Assuring the trust board of compliance with the requirements of the academy trust handbook and the funding agreement.
- Personal responsibility for the regularity, propriety and value for money in the use of the trust's funds.
- Ensuring the maintenance and preparation of proper accounts.
- Ensuring that the trust's property is under the control of the trustees and that fixed asset registers are maintained.
- Prudent and economical administration.
- The avoidance of waste and extravagance.
- The efficient and effective use of all of the resources in their charge.
- Ensuring that procedures for the effective segregation of duties are in place.
- The day-to-day organisation, staffing and management of the trust.
- To complete and sign an annual statement on regularity, propriety and compliance.

This role does not remove the responsibilities of the trust board/trustees as defined within the academy trust handbook and in the trust's financial procedures manual.

The accounting officer must advise the trust board in writing if, at any time, in his or her opinion:

- Any action or policy under consideration by the trust board is incompatible with the terms of the academy trust handbook, the articles of association or the funding agreement.
- The board appears to be failing to act where required to do so by the terms and conditions of the academy trust handbook, the articles of association or the funding agreement.

If the board proceeds, contrary to the advice of the accounting officer, and the accounting officer believes that they are in breach of the academy trust handbook, the articles of association or the funding agreement, the accounting officer must advise the ESFA's accounting officer of the position in writing.

Chief Financial Officer

The CFO has delegated responsibility for:

- Ensuring that all relevant ESFA financial requirements are implemented.
- Establishing and maintaining sound internal financial controls which are managed on a daily basis by the headteacher of each academy and the staff with finance responsibility.
- Ensuring the effective implementation of financial systems and procedures described in this financial procedures manual approved by the trust board.
- Ensuring that the trust's property is under the control of the trustees, and measures are in place to prevent losses or misuse, including the 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 academy's use of resources, in accordance with existing accounting standards.
- Ensuring that the funds delegated to the academy are in accordance with their legal entitlement.
- Ensuring draft budgets are compiled for the trust board and appropriate committees.
- Ensuring that financial reports are produced for the trust board, ESFA and Companies House as required.

The Chief Financial Officer is responsible for the following financial duties:

- Ensuring that sound and appropriate financial governance and risk management arrangements are in place, overseeing the preparation and monitoring of budgets, and ensuring the delivery of annual accounts.
- Ensuring that the trust receives all of the income to which it is entitled.
- The maintenance of effective systems of internal control, accounting processes and records, as authorised by the trust board in this financial procedures manual.
- The day-to-day management of financial issues, through the wider finance team.
- Reporting the trust's financial results to the CEO and trust board.
- Providing financial advice to the CEO and trust board.
- Ensuring that the annual financial statements are properly presented and adequately supported by the underlying books and records of the trust.
- Ensuring the accuracy and integrity of the trust's payroll.
- Making purchases in accordance with the trust's procurement policy.
- Managing specific projects, eg capital projects.
- Obtaining legal advice when appropriate.
- Ensuring regular and effective communication with the internal and external auditors.
- Being a member of the trust Finance, Audit and Risk Committee.

Specific financial tasks delegated to individual academy headteachers

Each academy headteacher within the trust has delegated responsibility for:

- Leading and managing their academy's development plan which is underpinned by sound resource planning, identifying priorities and targets for ensuring that pupils achieve high standards and make progress, increasing teachers' effectiveness and securing improvement of the academy's performance
- Ensuring the efficient and effective deployment of the trust's resources

Annual ESFA letter to accounting officers

The ESFA's accounting officer sends a letter annually to all academy trust accounting officers, setting out their key responsibilities and highlighting any changes from previous years. The Chief Executive

Officer shares this letter with the members, trustees, Chief Financial Officer and other members of the senior leadership team.

Members of the finance team

The structure and duties of the finance staff within all member academies are reviewed annually, as part of the trust pay and reward process, or sooner in the event of material change to the trust structure or activities.

Conflicts of interest

- The trust board ensures that the requirements for managing connected party transactions are known to all relevant individuals and are applied in practice.
- The chair of the trust and the accounting officer ensure that their capacity to control and influence does not conflict with these requirements. They 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'.
- The trust recognises 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 trust and accounting officer.
 - Payments to commercial organisations which have a profit motive, as opposed to those in the voluntary sector.
 - Relationships with external auditors that go beyond their duty to deliver a statutory audit.
- The trust maintains sufficient records, and makes sufficient disclosures in their 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.
- The trust's register of interests captures relevant business and pecuniary interests of members, trustees and senior employees, 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.
 - 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 trust considers whether to include the interests of other individuals in the register, with a presumption in favour of disclosure to support transparency and accountability. This may include other employees of the trust and close family members of individuals already on the register. Close family relationships are 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.
- Interests are not limited to the items above and the trust considers whether other interests should be registered. If in doubt the presumption is towards including an interest in the register.
- The trust board keeps their register of interests up-to-date through regular review.
- The trust publishes on its website relevant business and pecuniary interests of trustees and members. The academy has discretion over the publication of interests of other individuals including parents, spouses, civil partners, cohabitees and children.

Transactions with connected parties

The trust is 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 interests in proposed transactions or arrangements.
- All members, trustees and senior employees have completed the register of interests retained by the trust, in accordance with the academy trust handbook. There are measures in place to manage any conflicts of interest.
- No member, trustee, 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 of association, 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 Education Secretary. In particular, the trust needs to consider these obligations where payments are made to other business entities that 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.
- Any payment provided to connected parties satisfies the 'at cost' requirements in the academy trust handbook which lists those persons considered to be connected parties.

At cost requirements

The ESFA has set a de-minimis threshold of £2,500 on the 'at cost' requirements applying to connected parties, to reduce bureaucracy on minor transactions.

Above this limit, the trust pays connected parties at no more than 'cost'.

The 'at cost' requirement applies to contracts for goods and services from a related party:

- Agreed by the trust on or after 7 November 2013; and or Exceeding £2,500, cumulatively, in any one financial year of the trust.

In relation to organisations supplying legal advice or audit services to the trust, the 'at cost' requirement applies where the organisation's partner directly managing the service is a member or trustee of the trust, but not in other cases for those organisations.

Connected parties and not-for-profit principles

The governing board adheres to the information published by the ESFA regarding the principles that apply to the supply of goods and services to academy trusts by sponsors and other connected parties. The trust ensures that such transactions maintain a 'not for profit' basis. They follow cost accounting conventions and allow these accepted practices and principles to guide decisions. Additionally:

- Overhead charges are proportionate to the amount of work being done for the trust. For example, if 10% of the connected supplier's activity is for the trust then the trust should pick up a maximum of 10% of the supplier's total overheads. However, if at the end of the year, the charges for overheads recouped by the supplier exceed the total paid for overheads by the supplier, the trust would expect the supplier to reduce the charges to the trust in the next financial year. This will ensure the trust is complying fully with the 'not-for-profit' principles by not paying more than the proportionate sum for the services received, and the supplier is not drawing inadvertent profits.

- While a self-employed consultant may not factor in specific 'profits' to their day rate, the trust would not expect consultants to charge the trust the same as they would charge a customer in the commercial market. How much less than the market rate charged will be a matter for negotiation. The trust ensures this process is based on an understanding of market rates, and only enters into such a contract when satisfied that the agreed 'at cost' figure is reasonable and justifiable.

Transactions with connected parties that are novel, contentious and/or repercussive

The trust seeks the ESFA's prior approval for transactions with connected parties that are novel, contentious and/or repercussive.

- Novel payments or other transactions are those of which the trust has no experience, or are outside the range of normal business activity for the trust.
- Contentious transactions are those which might give rise to criticism of the trust by parliament and/or the public and/or the media.
- Repercussive transactions are those likely to cause pressure on other trusts to take a similar approach and hence have wider financial implications.

As a Trust we **must** also get ESFA approval for related party transactions that are 'novel, contentious or repercussive', i.e. those which:

- Our Trust has no experience with/are outside the range of normal business (novel)
- Might cause criticism from Parliament, the public or the media (contentious)
- Are likely to cause pressure on other trusts to act similarly, thus having wider financial implications (repercussive).

Register of business interest policy

The governing board and members of staff who can influence buying decisions recognise their responsibility to avoid any conflict between their business and personal interests and those of the trust.

The trust therefore maintains a register of the business interests of each member, trustee and member of staff with significant financial responsibilities, their relatives and other individuals who may exert influence. The register includes:

- Interests such as directorships, shareholdings or other appointments of influence within a business or organisation from which the trust may wish to buy goods or services.
- Interests in the appointment, salary, promotion or conditions of service of members of staff.

The information in the register is taken into account whenever buying or staffing decisions are made. Any member, trustee or member of staff who has an interest in a business tendering for a contract does not form part of the committee awarding the contract. Any member, trustee or member of staff who has an interest in the appointment, salary, promotion or conditions of service of a member of staff does not form part of the committee recommending or deciding these.

Certain interests such as directorships, partnerships, employments, trusteeships and governorships are declared irrespective of whether or not there is a trading relationship with the trust.

Members, trustees and members of staff are required to inform the trust of any changes in their interests as these arise so that they can be entered in the register. The register is also updated annually. Nil returns are obtained as appropriate. Any member, trustee or member of staff who is unwilling to declare their interests or complete a nil return is not permitted to influence a buying or staffing decision.

The minutes of the local governing boards, Finance, Audit and Risk Committee, or any other committee which can influence a buying decision, record a standard agenda point seeking updates to governors' business interests.

The only exception to the requirement to disclose a business interest is that if the interest is so distant or small that no ordinary right-thinking person would expect it to influence a person who might have dealings with the firm concerned. In such cases, it need not be disclosed. An example is a modest shareholding in a large public company even if the trust has or may have dealings with the company. The register is freely available for inspection by trustees, staff and parents.

The trust publishes on its website the relevant business and pecuniary interests of all its trustees and members.

Receipt of gifts, hospitality, entertainment and other services

The trust does not accept any gifts, awards, prizes or any other benefit which might be seen to compromise its personal judgement or integrity. All members of staff have been made aware of this.

Governors and members of staff do not accept excessive, frequent or regular gifts, hospitality, entertainment or other services from existing or prospective suppliers or any person wishing to use the trust's services or facilities. When considering whether to accept such offers, they consider whether they could affect their independence or cause concern to others that they might affect their independence. The trust maintains a register of gifts and hospitality and whether these were accepted or rejected. Trustees and members of staff are required to inform the trust of such offers as they arise.

In the event that there is uncertainty over whether or not the acceptance of a gift or hospitality is appropriate, the matter is discussed with the Chief Financial Officer or CEO.

Expenditure on gifts, hospitality, entertainment and favours

The CFO/CEO approves any expenditure on gifts and hospitality. Each academy within the Trust maintains a log of these. Such expenditure is only authorised if it can be demonstrated that the principles of probity, regularity and value for money have been taken in to account.

Expenditure on hospitality from public funds is only incurred in the provision of education. Hospitality is generally only provided in the workplace and usually restricted to tea/coffee, biscuits, soft drinks or sandwiches. Modest hospitality is occasionally provided outside the workplace. The headteachers maintain a register of the occasions when hospitality is provided by their academy, the number of people involved and the costs incurred.

Private use

The trust does not obtain goods or services for the private use of trustees and members of staff. Trustees and members of staff may not:

- Hold any interest in any equipment or property held or used for the trust.
- Acquire any interest in the disposal of trust equipment or property at the end of any contract between the trust and any third party.

Internal scrutiny

The trust is required to implement robust systems of internal control and a system of checking financial controls.

The trust has appointed an independent company to carry out these checks.

The programme of checks carried out is agreed with the trust board annually. After each checking session, the company provides the trust board with a written report explaining any material control issues and remedial action required.

Whistle blowing policy

The trustees and all staff seek to run all aspects of school business and activity with full regard for high standards of conduct and integrity. If members of staff, parents, trustees or the community at large become aware of activities which give cause for concern, we have a whistle blowing policy. This acts as a framework to allow concerns to be raised confidentially and provides for a thorough and appropriate investigation of the matter to bring it to a satisfactory conclusion, under the school's disciplinary procedure.

The trust is committed to tackling fraud and other forms of malpractice and treat these issues seriously. We recognise that some concerns may be extremely sensitive. We have therefore developed a system which allows for the confidential raising of concerns within the school environment but which also has recourse to an external party outside the management structure of the school. Full details are contained in the Whistle Blowing Policy.

Fraud reporting

The trust notifies the ESFA, as soon as is operationally practical based on its particular circumstances, of any instances of fraud or theft exceeding £5,000 individually, or £5,000 cumulatively in any financial year. Any unusual or systematic fraud, regardless of value, is also reported. The following information is provided:

- Full details of the event(s) with dates.
- The financial value of the loss.
- Measures taken by the trust to prevent recurrence.
- Whether the matter was referred to the police (and why if not).
- Whether insurance cover or the risk protection arrangements have offset any loss.

Cybercrime

The trust is aware of the risk of cybercrime and has put into place proportionate controls. The trust will take appropriate action where a cyber security incident has occurred.

Any cyber ransom demand must be referred to the ESFA for permission to pay.

Taxation

The Chief Financial Officer is responsible for advising on and ensuring compliance with VAT, PAYE and national insurance, and corporation tax, where this applies.

The trust abides by the procedures issued by the HMRC (Her Majesty's Revenue & Customs) in connection with VAT. VAT returns are prepared by the finance staff and submitted by the chief financial officer.

The trust keeps potential 'trading' activities under review and considers whether to set up a subsidiary trading company.

Payroll arrangements for senior members of staff comply with the HMRC guidance on tax obligations.

Annual accounting

The trust's financial year runs from 1 September to 31 August and is consistent with the academic year.

Annual financial statements are prepared in accordance with the statement of recommended practice (SORP), the requirements of the Companies Act and with the provisions of the academies accounts direction produced by the ESFA.

Audit

The trust has appointed, following a competitive tender, statutory auditors, who are registered under the requirements of the Companies Act, to carry out an audit and certify that the accounts are 'true and fair'. The auditors are engaged to carry out a 'true and fair' audit and a regularity audit. The engagement letter complies with the requirements of the ESFA for regularity auditing. Any additional services supplied by the auditors will be subject to a separate letter of engagement.

The letter of engagement:

- Provides for the removal of the auditors before the expiry of their term of office in exceptional circumstances. Proposals to remove the auditors require a majority vote of the members of the trust board.
- Requires the auditors to state their reasons if they resign from office, within 14 days of resignation.

The board must notify the ESFA immediately of the removal or resignation of the auditors:

- In the case of removal, the trust board must notify the ESFA of the reasons for the removal.
- In the case of resignation, the auditors must immediately copy to the ESFA a statement of their reasons.

An accounting officer's statement on governance, regularity, propriety and compliance is included in the trust's annual report. A review of this statement is included within the external auditors' remit and their opinion on this is addressed jointly to the trust and the ESFA.

The accounting officer also has a responsibility to advise the trust board and the ESFA of any instances of irregularity or impropriety, or non-compliance with the terms of the trust's funding agreement.

The appointment of external auditors is carried out annually and the renewal of engagement is at the discretion of the trust board. Formal reassessment is to be carried out every three years through a process of competitive tendering.

The trust's auditors are authorised to access all financial records, supporting documents and resources.

The report from the annual external audit, and the associated action plan, is received by the finance, audit and risk committee and reported to the trust board.

Internal controls

The trust board has established a framework of internal controls which recognises its accountability for its stewardship of public funding allocated to the trust.

The trust's internal control framework includes:

- Co-ordinating the planning and budgeting processes.
- Applying discipline in financial management, including managing banking, debt and cash flow, with appropriate segregation of duties.
- Preparation of monthly budget monitoring reports.
- 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 organisation's activities.
- A process for independent checking of financial controls, systems, transactions and risks.

Scheme of delegation

The trust board has approved a written scheme of delegation and this is reviewed on an annual basis. The scheme of delegation is adhered to at all times.

Trust development plan and budgeting

Budgeting

The trust board has a three-year trust development plan, which explains how it intends to use its resources to achieve its aims and objectives. The three-year budget derives from this plan.

The plan takes account of:

- The educational priorities for the trust.
- Likely demographic changes affecting pupils and staff.
- The building and repair maintenance programme.
- Repair and renewal programmes for furniture, fittings and equipment.

Each academy in the trust is required to present a revised current year budget to the Chief Financial Officer, by the Spring half term, to reflect changes in the financial and educational environment.

The budget framework is constructed by the Chief Financial Officer, incorporating the following processes:

- An estimation of income, including government and non-government grants, donations and self-generated income streams.
- A calculation of staffing costs, based on a predetermined proportion of the General Annual Grant for the academic year, in line with the sector average, and approved by the trust board.
- An estimation of other expenditure based on service level agreements and likely cost trends.
- The identification of potential savings.
- The allocation of curriculum budgets, calculated by academy headteachers, using an appropriate and transparent formula to allocate funds equitably in line with academic need and academy priorities.
- Managing planned levels of unspent balances – ensuring that the resulting annual surplus or deficit is in line with plans to recover

from an overall deficit position, or build up unspent balances to fund future development plans.

Planned capital income and expenditure are identified separately within the budget.

The Chief Financial Officer also produces a cash flow forecast for the year and a projected balance sheet for the year end.

The trust budgeting process, relating to the next financial year, starts at the beginning of the spring term each year. The chief financial officer draws up a framework for the process. The local governing bodies will consider and recommend a budget to the Finance, Audit and Risk Committee for approval. The consolidated budget is then submitted to the Trust Board for formal review and approval, before submission to the ESFA. The Trust Board minutes the approval of the budget.

The trust board 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 must minute their approval(s).

The trust board must notify the 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.

If an unplanned deficit occurs during the financial year, the trust must notify the ESFA as soon as it is aware of this.

The Chief Financial Officer produces a consolidated monthly budget monitoring report and is required to inform the chair of the Finance, Audit and Risk Committee and the chair of the Trust immediately should a deficit become likely.

Amendments to the approved annual budget, known as budget revisions, must be in line with the budget transfer authorisation limits (detailed later in this document).

Reporting financial results

Each academy budget monitoring reports will be prepared monthly by the individual academy and detail the following information:

- Approved annual budget.
- Spend to date.
- Commitments.

- Percentage of budget spent and committed to date.
- Full year projections including variance analysis.
- Details of any restricted funds or donations, including capital funds.

Revenue and capital balances are reported separately.

Any significant changes in trust priorities which necessitate a review of the budget allocations are brought to the attention of the Finance, Audit and Risk Committee.

The Chief Financial Officer carries out monthly reviews of actual performance to budget and produces a schedule explaining variances and recommended budget transfers.

A Trust balance sheet and funds analysis are amongst other reports produced and reviewed by the CFO and thereafter the Finance, Audit and Risk Committee.

The Headteachers of each individual academy school will receive monthly reports showing budgeted expenditure, actual expenditure and commitments, so that they may utilise their budgets efficiently and effectively.

Cash flow

Each individual academy school is responsible for preparing regular cash flow forecasts to ensure that the trust has sufficient funds available to pay for day-to-day operations. If significant cash balances are foreseen, steps are taken to invest the extra funds. Similarly, plans may be made to transfer funds within trust accounts to cover potential short term cash shortages across the trust.

Computerised accounting system

The Chief Financial Officer has prepared a business continuity plan which includes the actions the trust would take in the event of loss of accounting facilities or financial data. This links in with the annual assessment made by trustees of the major risks to which the trust is exposed and the systems that have been put in place to mitigate those risks.

The trust's accounting system is computerised, and is currently Access Education Finance and Budgets. Access to the system is restricted to authorised trust employees and those authorised by the CFO, such as external auditors. The system is accessed by passwords, which are changed on a regular basis. Passwords are only known by the individual member of staff but can be reset by the system administrator.

Passwords are changed immediately if an employee is aware that an unauthorised person has learnt their password. If an outside provider uses the computerised accounting system, they are given their own user id and password.

Software is installed on the trust's computer systems to detect viruses, spyware, and other malicious threats. Regular updates are used to ensure that the latest threats are detected. There is also a facility for cleaning up infected files.

Regular reviews are carried out to ensure that access rights and levels of access are still relevant to the responsibilities of individual users. Access for staff who are no longer employed by the trust, or who have changed role outside the finance team, is removed as soon as the staff member leaves.

The trust complies with the requirements for retention of records prescribed by the Companies Act and charity legislation.

The trust complies with the requirements of the Data Protection Act.

Transactional processing

All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual. Specific controls are in place for dealing with monies and banking which are outlined further in this document.

The Chief Financial Officer reviews system reports to ensure that only regular and appropriate transactions are posted to the accounting system. The report obtained and reviewed includes:

- Transactional audit trails, highlighting entries that may indicate control risk, such as those input directly to the nominal ledger, adjustments to control accounts, manual overrides, budget amendments, write offs etc.
- Processing audit trails, highlighting amendments to databases such as Suppliers, Customers, Bank Account ledgers, and activity regarding security and access rights in the accounts system.
- Management accounts summarising expenditure and income against budget at budget holder level.

Any areas of concern or discrepancies are investigated and reported to the Chief Executive Officer immediately.

Reconciliations

The Chief Financial Officer is responsible for ensuring that the appropriate financial reconciliations are performed each month, and that any reconciling or balancing amounts are investigated and cleared within a reasonable period of time. Reconciliations include:

- Sales ledger control account.
- Purchase ledger control account.
- Payroll control account.
- All suspense accounts, including trips, cashless catering, Parent Mail.
- Bank Reconciliation.
- Fixed asset register including accumulated depreciation.

The headteacher in the individual academy signs off a monthly reconciliation summary for their academy, as evidence of review, with any issues reported to the CFO.

Authorised signatories list

An authorised signatory list, including specimen signatures, is held in the trust office for reference purposes. This will cover both bank and charge card signatories.

Payroll

The trust board formally approves all executive and headteacher appointments, terminations and salary levels. The Local Governing Bodies formally approve individual academy appointments, terminations and salary levels. There are established procedures to:

- Ensure personnel are competent, suitably qualified and trained to a level consistent with their responsibilities.
- Provide clear statements of criteria for personnel selection.
- Provide formal job descriptions.
- Ensure that the cost of all appointments, re-gradings and any other changes in conditions of service of staff can be met within the resources available to the trust.

The headteacher maintains a list of staff employed by their academy and their current salaries, which has been authorised by the local governing body.

The human resources officer maintains a record of all appointments and resignations, changes in remuneration, and records of sickness and other leave.

Staff remuneration is made in accordance with the trust's pay policy. All appointments are confirmed by letter and further details are included in the employee's contract of employment and statement of particulars. The human resources officer carries out the specified pre-employment checks.

The trust uses the services of an external payroll agent; the service contract between the trust and the agent includes:

- The individual responsibilities of the trust and those of the payroll bureau.
- The agent's responsibility for making returns to HMRC and the dates by which these returns should be made.
- Details of ownership of programs and data files.
- Responsibilities for the control and accuracy of data.
- Details of persons authorised to access payroll data, and their level of authorisation.
- Back up provisions.
- A schedule of reports to be sent to the trust for financial and personnel monitoring purposes.
- An agreement as to the response time and costs that will be charged for any additional data or reports required by the trust.
- Provision for access for trust staff and auditors.

The payroll agent processes the payroll once electronically approved by a designated member of Trust staff. Prior to this approval, an authorised member of staff (usually headteacher/head teacher or CFO) will authorise an analysis of gross pay, as prepared by the finance staff in each school. A signed copy must be kept in the trust office.

The agent does not process salary changes authorised by the person whose salary is changing. The chair of the trust notifies the payroll agent of any changes to the CEO's salary.

The Trust is responsible for notifying the payroll agent of changes to individual pension arrangements, for example opting in or opting out, and for staff contract changes.

Access to staff personnel files is restricted to the headteacher, the human resources officer, the CEO and the CFO.

No individual is treated as 'self-employed' without the clearance of HMRC.

Additional payments

Any additional payments to staff, for example overtime, must be approved in advance by the headteacher.

All such claims should be submitted to the human resources officer, on an official payroll form, which must be completed *in full*, including:

- rate of pay for additional hours
- reason for the claim
- staff payroll number
- claimant signature
- Headteacher signature

Claim's will not be processed if the form is incomplete.

Failure of the payroll system

Monthly salary payments are transmitted via the payroll agent. The transmission to bank takes place at least three working days before the payment date. Therefore, the trust should be aware of any difficulties at least three working days in advance, thus minimising risk of non-payment.

The trust's bank has been consulted regarding a possible failure to the payroll system or the usual method of transmission. In the event that pay details could not be transmitted to the bank via the usual system, the payroll database would be emailed directly to the bank and the content checked via telephone. The bank would arrange payments directly.

In the event of total IT failure at the trust, payments would be discussed directly by telephone with the payroll agent.

Payment of expenses

The trust has an expenses policy which is reviewed by the trust board on an annual basis. The policy provides guidance about expenses which can be reimbursed to members, trustees, directors, governors and members of staff. The policy states that claims must be authorised by the appropriate line manager. In the instance of claims made by the Headteacher approval by the CEO is required.

Purchasing

The trust board makes its buying decisions in accordance with the principles of 'best value', probity and accountability. Contracts are placed on a competitive basis and the reasons for selecting a supplier are minuted. Divisible contracts are prohibited.

The health and safety competence of contractors is assessed. Only contractors registered with their professional or trade association are employed to carry out major work at the trust.

Purchase of alcohol

The trust's funds must not be used to purchase alcohol for consumption, except where it is to be used in religious services.

Approved suppliers

Each school selects suppliers on the basis of their capacity to provide quality, quantity, service, timely delivery and price competitiveness. Volume discounts and credit terms are taken into account. Consortia are used where they provide value for money.

The consolidated listing of approved suppliers is reviewed and approved on an ongoing basis by the Chief Financial Officer and on an annual basis by the Finance, Audit and Risk Committee.

Tendering

All purchases with a value of £100,000 or more must be put out to formal tender. The trust will follow the Buying Procedures and Procurement Law for schools as found on the Gov.uk website.

Where required by the conditions attached to a specific grant from the DFE/ESFA, the relevant body's approval is obtained before accepting a tender.

The following tendering procedures are followed:

- The headteacher prepares a specification, which is passed to the trust board, via the CFO, for approval, and then sent to at least four suppliers.
- The invitations to tender include:
 - An introduction/background to the project.
 - The scope and objectives of the project.
 - Any technical requirements.
 - Implementation details for the project.
 - The terms and conditions of the tender.
 - The form and date of response to the trust.
- The use of brand names is avoided and, where appropriate, a European or British Standard or other quality guideline is sought. Reference is made to appropriate safety standards and fire and health and safety regulations.
- All replies are addressed to the Chief Financial Officer in a plain sealed envelope marked 'Tender'.

- The date of receipt of the sealed tenders is recorded on the envelope.
- No supplier is allowed to amend their tender after the fixed date for receipt.
- All tenders are opened at the same time by the chief executive officer plus a member of the Finance, Audit and Risk Committee.
- The following information is recorded:
 - The date and time of opening.
 - The names and signatures of those present.
 - The value of each tender.
 - Details of suppliers who declined the invitation, or failed to submit a tender.
 - Any omissions in the submission, for example, documents, signatures, missing data.
- Late tenders are rejected and retained unopened until the contract is awarded. They are then returned to the tenderer with an explanatory note.
- Where contracts under seal provide for payments to be made in instalments, the headteacher ensures a contract register is maintained which shows the state of the account on each contract together with related professional fees and other payments.
- The Finance, Audit and Risk Committee makes recommendations as to which tender to accept. The decision as to which tender to accept is made by the full trust board.
- The reasons for accepting a particular tender are in accordance with the trust's best value policy.
- Suppliers: the following points are considered when deciding which tender to accept:
 - Qualifications, technical ability and experience.
 - Pre-sales demonstrations.
 - After sales service.
 - Quality procedures.
 - References from existing customers.
 - Financial status.
 - Professional indemnity insurance.

- Cost: the following points are considered when deciding which tender to accept:
 - Overall price.
 - Unit price for parts of the product or service.
 - The possibility of 'hidden costs'.
 - Scope for negotiation. In any negotiations, the trust will not disadvantage other tenderers or compromise the original tender process. In all such cases, the reasons for negotiations is stated and reported to the Finance, Audit and Risk Committee.
- The contract awarded is signed by the chief executive officer and the chair of trustees.

Quotations

Quotations are obtained as follows:

- Purchases up to £10,000 – catalogue price lists.
- Purchases of £10,001 to £15,000 - three written quotations and approval by the LGB if within budget set.
- Purchases of £15,001 to £99,999 – three written quotations considered by the LGB and recommended to Trust board for approval.

Each Academy keeps a record of suppliers who have been contacted but who have declined to provide a quotation.

Routine Purchasing – Purchase Orders

When purchasing routine goods and services, the trust purchase ordering process must be followed as set out in this document. Staff authorised to raise or approve electronic purchase orders are given access to the appropriate controls in Access Education Finance, and manage their own passwords.

Purchase orders are raised through the ACCESS EDUCATION FINANCE online accounts system, which generates a unique PO reference number. Requisition initiators are primarily budget holders, headteachers or appropriate finance staff. The requisition is authorised by the headteacher of the Academy if within the current budget. Once approved the requisition is then converted to a purchase order and sent to the supplier.

Primary Academies:

- Up to £250 Budget Holder
- Up to £5,000 Headteacher
- Up to £15,000 Chief Financial Officer following approval by the LGB
- Up to £99,999 Chief Executive Officer following approval by the Trust Board
- £100,000 + Emergency approval: Chair of Trust and Chair of the Finance, Audit and Risk Committee

To comply with segregation of duty controls, requisition cannot be initiated *and* approved by the same member of staff. The only **exception** to this relates to orders raised by the head teacher, where it is not practical to have such segregation of duties. In all instances, delivery of goods ordered must be verified by another member of school staff. The dual payment approval controls will also act as a check in these instances.

Once appropriately authorised, the finance staff will electronically submit the order to the supplier. Telephone or verbal orders may only be placed with suppliers in exceptional circumstances, for example emergency repairs. Such orders must be confirmed in writing as soon as possible and a purchase order created.

Official trust orders are not generated for the private use of individuals.

Non Order Purchases

Whilst effort must be made to raise an online order for the purchase of goods or services, some transactions are not appropriate for this process, due to the unpredictable timing and/or variability of cost of the purchase.

Examples of such exceptions include:

- professional services, such as legal fees, supply teachers, recruitment costs
- utilities
- school trips
- insurance

On receipt of non-order invoices, the finance staff has two options:

1. raise a retrospective purchase order, followed up by budget holder approval;

2. directly input the invoice in to the purchase ledger, with a manual signature on the invoice prior to being scanned into the system from the headteacher to verify receipt of goods/services, and authorise payment.

Receipt of Goods

Every academy has a designated drop off point for external deliveries, which suppliers should be alerted to. Upon delivery of goods, the staff member taking delivery checks the quantity received to the Goods Received Note (or equivalent), and signs and dates the supplier's GRN (or electronic device). Any discrepancies are noted on the GRN.

Goods Received Notes are proof to the supplier that delivery of a package has been acknowledged by the customer, *not* proof of delivery of specific items on the original order – this is the purpose of the Delivery Note.

The delivery procedures specific to the academy are then followed, for example:

- Deliver goods to person who ordered the goods or inform person who ordered the goods that their order is awaiting collection

The GRN must be handed in to the Finance staff in the academy on the day of delivery, where it will be filed pending delivery note & invoice.

The person who ordered the goods is responsible for checking the delivery for completeness and condition.

- If the order is acceptable, and reconciles to the accompanying delivery note, the person who ordered the goods will sign and date the document, then submit it to the finance staff the same day.
- If there is an issue with the order, such as incomplete, damaged or incorrect goods, the person who ordered the goods will note the issue on the delivery note, and inform the finance staff immediately. Action can then be taken by finance, with the supplier.

The person who ordered the goods (or delegated member of staff) *must* sign the delivery note and take it to the finance staff within two working days, as proof of receipt of the goods. Failure to do so may result a stop on future orders raised by the budget holder.

The finance staff will:

- file delivery notes with GRNs, awaiting invoice
- monitor part deliveries until the order is complete
- follow up any shortages or defective items with the supplier
- record shortages or defective items in a central goods returned file.
- Mark the goods received on the Access Education finance system and scan in the delivery note.

Purchase Invoices

Upon receipt of a purchase invoice, the finance staff will:

- Check invoiced items to Delivery Note (if applicable) and mark as received on the system
- Convert the purchase order to invoice
- Enter the invoice details on to the accounting system
- Direct entry in to the purchase ledger if non order invoice
- Scan the invoice into the system
- Inform the CFO that there are invoices to be authorised.

Payment of Invoices

It is the policy of the trust to pay all invoices by the due date and to take advantage of any discounts available for early settlement where this is to the trust's advantage. Invoices are paid within 30 days unless they are disputed.

The finance staff will review the creditors' ledger on a weekly basis, to identify invoices due for payment. The invoices due for payment will be identified on the accounting system.

A payment run is processed through the accounting system, which generates:

- a schedule of supplier payments, with total value payable (BACS or "dummy" cheque for direct payments)
- a txt file, to enable the on-line BACS payment

BACS Payment

The finance staff will submit the BACS payment list, on txt file, to the bank, via the on-line banking programme. Authorised finance staff will use a secure personal identification number and card reader to access the banking system.

The CFO will review the BACS payment schedule. If satisfied payments are for valid trust expenditure and the relevant pre-checking process has been carried out, they will approve the BACS payment electronically, using their own card readers and PIN.

The CEO will then review the BACS payment schedule. If satisfied payments are for valid trust expenditure and the relevant pre-checking process has been carried out, they will approve the BACS payment electronically, using their own card readers and PIN as second authoriser.

The finance staff will review the on-line bank facility to ensure the BACS request has been successfully processed. BACS remittance advices will be sent to suppliers via the accounting system.

“Dummy” Cheque Payment

The finance staff will produce electronic dummy cheques, generated from the accounting programme, to match a payment from the accounting programme that is paid directly from the bank either by direct debit, standing order or debit card purchase.

Two authorised bank signatories will review the payment schedule and supporting documentation, then approve the payments if satisfied that they are for valid trust expenditure and the relevant pre-checking process has been carried out by the finance staff.

Credit notes

Credit notes relating to goods of services previously invoiced and recorded are entered in to the accounting system, as for invoices, and scanned onto the system.

Completeness of supplier balances

Invoices and credit notes are posted to the computer as soon as the trust receives them.

The finance staff reconciles individual supplier balances to supplier statements, where available, on a monthly basis.

Segregation of duties

The trust board is responsible for ensuring the trust has appropriate structures in place to enable effective segregation of duties. The chief financial officer is responsible for ensuring effective segregation of duties is maintained at all times.

Purchasing Procedures

During staff shortages the procedures for separation of duties need to be amended to reflect what actually can happen. The segregation will be ensured by having different levels of authority within the finance system. All transactions through the bank accounts will be dual

authorized by the CFO and CEO. Internal procedures will include the inputting of orders and invoices by temporary finance staff and the authorization being carried out by the CFO.

The purchasing procedures will be amended to include the following:

The academy trust **will** ensure:

- spending will be for the purpose intended and there is probity in the use of public funds
- all spending decisions represent value for money
- internal delegation levels exist as set out in this document and are applied
- a competitive tendering policy is in place and applied, and the procurement rules and thresholds in the Public Contracts Regulations 2015 and Find a Tender service are observed
- professional advice is obtained where appropriate.

Retention of records

The chief financial officer is responsible for the secure retention of all financial documents for the period required by the Companies Act and charity legislation. These documents may be requested by authorised external agencies at any time, for example the trust's auditors or the ESFA.

All network data is backed up to a remote server every evening by the IT company, thereby ensuring all electronic financial records are securely preserved.

Budget Transfers

Transfer of budget between budget codes within the approved budget are authorised as follows:

- up to £5,000 Headteacher, in consultation with Chief Financial Officer
- £5000 to £20,000 Chief Financial Officer, in consultation with Chief Executive Officer
- £20,000 to £30,000 Trust Finance, Audit and Risk Committee
- In excess of £30,000 Trust Board

All budget transfers must be reported to the Finance, Audit and Risk Committee.

Budget holders

Budget holders are members of staff who have responsibility for particular budgets within the school. Budget holders are informed of the budget available to them at least one month before the start of the academic year.

Budget holders are accountable for the management and monitoring of their budget, for achieving value for money and for adherence to the trust's financial procedures.

It is the responsibility of the budget holder to ensure that the funds available are not overspent. The Trust expects every budget holder to monitor their budget on a monthly basis. To facilitate this the finance staff in each academy will provide a budget monitoring report from the finance software.

On a termly basis, budget holders are expected to submit to the finance office a full year income and expenditure forecast, detailing anticipated spend and income for the remainder of the academic year. The working budget will be updated accordingly.

The chief finance officer will consolidate all budget forecasts to provide a full academy view, which will in turn feed in to the overall Trust consolidation reports.

Budget holders should report any anticipated over or under spends to their budget to the chief finance officer immediately, not waiting for the termly forecast, so that action may be taken to mitigate the variances.

The budget holder is responsible for the safeguarding of departmental assets and the implementation of effective and secure arrangements for the holding and issuing of stock relating to the department.

Formal stock taking procedures are implemented where a stock valuation is required for the year end accounts.

Requests to carry forward balances to the following financial year from individual budget areas must be approved by the chief financial officer.

Petty cash

No petty cash is to be used with any school of the trust.

Income

Introduction

The Trust board has overall responsibility for ensuring that all income due to the trust is properly accounted for. Day-to-day responsibility for this is delegated to the chief financial officer. Income, including valuations for donated services and gifts in kind, is accounted for in accordance with the requirements set out in the academy trust handbook.

The chief financial officer is responsible for ensuring income is designated to the correct fund and budget area. The chief financial officer reviews income by fund, and corresponding expenditure, via the monthly reporting process.

Receipts are produced by the finance staff for non-grant income, with the exception of student income paid via Parent mail or other on-line payment systems (which generate their own receipts).

All monies received are banked intact and accounted for in full. Cash receipts are not retained and used for any other purpose.

In instances where facilities or services are provided by the trust, the CFO will ensure at least the full cost is recovered through the fee. Fees chargeable are reviewed annually by the Finance, Audit and Risk Committee.

The provision of services by staff, such as private consultancy or other paid work or training outside of the employment contract with the trust, is not permitted without the consent of the Chief Executive Officer in the case of members of staff and headteacher, or by the Trust Chair in the case of the CEO. Requests for approval must be submitted and authorised in writing and a Service Level Agreement created.

All fees receivable are invoiced by the trust and paid in full into the trust's bank account.

Any bids for funding from external sources are submitted only with the knowledge and consent of the headteacher and CFO.

Cash banking

The following banking procedures apply:

- All controlled (numbered) stationery, including banking bags, paying-in books, is held securely and numbered items are used consecutively. If any item of numbered stationery is not used for any reason, the item is retained on file, together with an

explanation as to why it was not used. There should be no item for which there is no account.

- Deposits at the bank are made by two authorised members of staff.
- For cash collections in relation to student trips and activities and any other trust activities:
 - The trust ensures an appropriate cash collection facility is in place, receipts are issued and cashing-up and reconciliation procedures are carried out.
 - Funds passed to the finance staff by school staff are accompanied by paperwork detailing the sum and details of the income, and are signed as being correct by the depositing staff member.
 - The finance staff check the monies and counter signs the accompanying paperwork.
 - Any discrepancies between the amount received and the details on the paperwork are highlighted, investigated and resolved immediately.
- These procedures also apply to miscellaneous cash collections from within the trust, for example, school trips and staff events. In addition, a separate record of the various collections, supported by documentation, is held for each event/activity.
- Staff, including teaching staff, should not collect monies on behalf of students. Students must be instructed to hand in monies to the school office in person.
- Cash and cheques received by the finance office are transferred to the finance safe until banked.
- **All monies received must be counted and signed by two members of staff.**
- The banking bag and accompanying bank paperwork are prepared as soon as possible, at least on a weekly basis. Bank bag pre-numbered tear off slips are attached to the bank pay in book; payment details are entered in a pay in book, and the detachable section is placed in the bank back with the monies, and sealed.

- Cheques and cash received for the same event/activity are accounted for on the same paying-in slip and within the same banking bag, i.e. not separated.
- Bank paying-in slips detail the split of cash and cheques. Details of the debtor payments may be written in the pay-in book or on a separate schedule, which should be filed in the finance office. Such paperwork must contain enough information to enable accurate identification and recording of customer payments/monies received.
- Banking details must be entered in the accounting software in a timely manner, and reconcile to the banking paperwork.
- Visits to the bank for the purposes of paying in cash and cheques are kept to a minimum for security reasons.
- Where unusually high levels of cash are received, these are banked on the day of receipt.
- When depositing funds at the bank, whenever possible, a member of the finance staff must be accompanied by an independent member of staff who does not work in finance.
- Under no circumstances should cash held on the trust premises exceed the insured limit.
- The transaction is reconciled to the accounting system upon receipt of the bank statement and verified against the paying-in book and original receipt.
- The school gives due consideration to the separation of duties in relation to banking procedures.

Fund-raising events

Records are maintained by a designated member of staff for each fund-raising event, in sufficient detail to identify gross receipts and how they have arisen, and all costs incurred. For all events for which there is ticket income or gate money, reasonableness checks are carried out to ensure the takings equate to the number of tickets issued multiplied by the price per ticket.

Similar records are maintained for sponsored events.

The designated member of staff ensures that all monies and related paperwork are deposited with the finance team as soon as possible after receipt of monies. If the finance team is not available (for example

due to an evening or weekend event), monies should be held in a secure, locked location, preapproved by the CFO.

Letting of trust facilities

All lettings are subject to a letting agreement, setting out the terms and conditions of the trust letting, including the agreed charge and any administration fee.

The trust board, on the recommendation of the Finance, Audit and Risk Committee, approves letting rates on an annual basis. Free use and charges below economic cost are not permitted without the express permission of the CFO.

- All hiring of trust equipment and facilities is formally recorded by the site manager or academy office.
- The finance team will review the letting documentation on a monthly basis to ensure that all lettings have been invoiced.
- When a letting is booked, the hirer completes a hire form.
- The finance team generates sales invoices from the finance software.
- All monies are subject to receipt in accordance with the terms of the trust's debt collection policy.
- The trust ensures that relevant insurance is in place for each letting.

Student Trips

All student monies for school for trips are taken directly to the finance team. Staff should not collect monies on behalf of students. Payments may also be made online, via Parent Mail or similar systems. The finance team is responsible for keeping adequate records of income and expenditure for each trip or activity.

Following the trip or activity, the finance team prepares an income and expenditure account, for review by the headteacher. The finance office will have regard to the trust's trip charging policy, and will reimburse students where trip income exceeds total expenditure, with a de-minimus of £5 per head. Departmental budgets will be utilised in the event of trip expenditure exceeding income.

Donations and gifts

The chief financial officer maintains a detailed record of all donations or gifts made to the trust and ensures these are used in accordance with the purposes specified by the donors.

Online payment system

The trust makes provision for parents to make secure payment for certain activities and supplies online. Parental access is via the use of a secure password and the provision of an electronic receipt is available to the parent following payment.

Records from the on-line payment system are generated by the finance office to support the process of monitoring, control and financial reconciliation, and these are retained for a period of six years.

Payment by credit or debit card

Payment by credit or debit card can be made verbally onto the payment system.

Bad debts

All credit arrangements are approved by the Finance, Audit and Risk Committee.

The chief financial officer is responsible for ensuring the regular raising and payment of invoices and that VAT is correctly accounted for where it applies.

The trust chases all money due to it, which has not been paid within 30 days of an invoice being issued, by telephone and letter, depending on how much time has elapsed since the money was due to be paid.

The CFO reviews the debtors account on a monthly basis and takes any action necessary in relation to overdue debts. Outstanding debts are reported to the Finance, Audit and Risk Committee at each of their meetings.

Writing off bad debts

The writing off of bad debts will only be considered after all avenues for recovery of the debt have been explored and following careful consideration.

The trust board recognises the delegated limits included in the academy trust handbook, and seeks approval in any situation where the proposed sum to be written off is in excess of the limits stated.

Bank and cash

Bank facilities

The trust board is responsible for the appointment of the trust's bankers and only the trust board can authorise the opening or closing of bank accounts.

The trust does not overdraw its bank account or arrange with its bankers for overdrafts, loans or any other form of credit or deferred purchases. The bank has been informed that the trust is not allowed to borrow funds and that on no account should it be allowed to become overdrawn. The trust does not offer any security to the bank.

All payments from the bank accounts require two authorised signatories. The chief financial officer maintains an approved list of signatories (including specimen signatures). No cheques are used within the trust.

The operation of systems such as bankers automatic clearing system (BACS) and other means of electronic transfer of funds are subject to the same level of authorisation and control.

Bank reconciliations

All bank accounts are reconciled on a monthly basis by the finance staff. The headteacher reviews all reconciliations, signing them as evidence of review.

Charge cards

The procedures for the use of the trust's charge cards are contained within the charge card policy.

Cash advances

Cash advances **may not be made under any circumstances**. Any expenditure by staff on behalf of the trust should follow the official purchasing processes: purchase order, purchasing card.

General security

Key holders to the safe are authorised by the Finance, Audit and Risk Committee and keys to the safe are held securely at all times. Any loss of a key to the safe or the finance office is reported to the chief financial officer immediately.

Capital projects

In circumstances where capital projects are undertaken by the trust, the trust board will give consideration as to how these can be best

managed within the resources available. Separate project budget monitoring will be carried out in relation to designated capital projects.

Fixed assets

Asset register

Each academy will maintain a fixed asset register. The CFO will maintain a fixed asset register for Trust assets. The fixed asset, depreciation and capitalisation policy sets out the procedures for all assets.

The chief financial officer ensures that the asset register has been checked to physical assets in the trust annually. Any discrepancies are investigated and reported to the headteacher who informs the trust board of the loss and any known reason for this. The insurers are notified as appropriate.

Assets owned or leased by the trust will not be loaned for personal use.

IT assets are also monitored and recorded. All IT assets are security marked, with the following details recorded on an IT inventory:

- Serial number
- Make/model details
- Asset tag reference number and bar code number
- Warranty details
- Purchase cost
- Location or name of staff member issued with asset

Acquisition and disposal of fixed assets

Academies must seek and obtain prior written approval from the ESFA 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 applicable financial reporting standards, beyond any limits set out in the trust's funding agreement in respect of the disposal of assets generally.

Other than land, buildings and heritage assets, academies can dispose of any other fixed asset without the ESFA's prior approval. The trust ensures 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 assets have a residual value.

Disposal of land, buildings and heritage assets is carried out in accordance with the requirements of the trust's funding agreement and approval is sought from the ESFA.

Details of asset disposal procedures are contained within the Fixed asset, depreciation and capitalisation policy.

Losses

All losses are reported to the chief financial officer who informs the police if the loss is a result of burglary or theft and the insurance company is informed at the same time. Action is taken immediately to prevent further loss.

The chief financial officer maintains a record of losses and insurance monies received. The trust board is informed of all losses.

Leasing

The trust board is responsible for approving all operating leasing and hiring arrangements.

No leased item is disposed of without the express permission of the leasing company. This includes sale, part exchange, scrapping, writing-off, donating, re-leasing, subletting or any other form of disposal.

The trust board seeks the ESFA's approval for any arrangement to enter into a finance lease, to take up or grant a tenancy or leasehold of a building of any value.

Investments

All investment decisions are made in accordance with the requirements of the academy trust handbook and the Charity Commission's guidance.

When the Trust has surplus funds, an investment policy will be developed which will be reviewed annually and will be based on the following principles.

- The board of trustees may invest to further the trust's charitable aims, but must ensure that investment risk is properly managed.
- When considering making an investment, the board of trustees must:

- Act within their powers to invest as set out in their 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.
- Review the trust's investments and investment policy regularly.

Freedoms and delegations and transactions requiring ESFA consent

Novel and contentious transactions

Novel payments or other transactions are those of which the trust has no experience, or are outside the range of normal business activity for the trust. Contentious transactions are those which might give rise to criticism of the trust by Parliament, and/or the public, and/or the media.

Novel and/or contentious transactions must always be referred to ESFA for explicit prior authorisation.

Borrowing

The trust must seek ESFA's prior approval for borrowing (including finance leases and overdraft facilities) from any source, where such borrowing is to be repaid from grant monies or secured on assets funded by grant monies, and regardless of the interest rate chargeable.

Credit cards must only be used for business (not personal) expenditure, and balances cleared before interest accrues.

Special payments

Special payments are transactions that fall outside a trust's planned range of activities. They are nonstatutory or non-contractual and so are subject to greater control than other payments. They include:

- Staff severance payments.
- Compensation payments.
- Ex gratia payments.

Special staff severance payments

Special staff severance payments are paid to employees, outside of normal statutory or contractual requirements, when leaving employment in public service whether they resign, are dismissed or reach an agreed termination of contract. They are different to ex-gratia payments.

If the trust is considering making a staff severance payment above the statutory or contractual entitlements, it must consider the following issues:

- Trustees must reasonably consider the proposed payment to be in the interests of the trust.
- Whether such a payment is justified, based on a legal assessment of the chances of the trust successfully defending the case at employment tribunal. If there is a significant prospect of losing the case, then a settlement may be justified, especially if the costs incurred in maintaining a defence are likely to be high. Where a legal assessment suggests that the trust is likely to be successful, then a settlement should not be offered.

If the settlement is justified, the trust would then need to consider the level of settlement. This must be less than the legal assessment of what the relevant body (eg an employment tribunal) is likely to award in the circumstances.

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 be successful in an employment tribunal claim 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.

The trust has delegated authority to approve individual staff severance payments provided any nonstatutory/non-contractual element is under £50,000. Where the trust is considering a nonstatutory/non-contractual payment of £50,000 or more, the ESFA's prior approval must be obtained.

Academies should demonstrate value for money by applying the same level of scrutiny to a payment under £50,000 as if it were over the £50,000 delegation. The ESFA has produced guidance and a submission template.

Compensation payments

Compensation payments are made to provide redress for loss or injury, for example: personal injuries; traffic accidents; or damage to property. If the trust is considering making a compensation payment, it must base its decision on a careful appraisal of the facts, including legal advice where relevant, and ensure that value for money will be achieved.

The trust has delegated authority to approve individual compensation payments provided any nonstatutory/non-contractual element is under £50,000. Where the trust is considering a nonstatutory/non-contractual payment of £50,000 or more, the ESFA's prior approval must be obtained.

The trust routinely considers whether particular cases reveal concerns about the effectiveness of internal control systems, and takes any necessary steps to put failings right.

Ex-gratia payments

Ex-gratia payments are another type of transaction that go beyond statutory or contractual cover, or administrative rules. Annex 4.13 of HM Treasury's Managing Public Money provides examples, which include payments to meet hardship caused by official failure or delay, and payments to avoid legal action on the grounds of official inadequacy.

Ex-gratia payments are separate to other classes of special payment, such as staff severance payments and compensation payments. Statutory and contractual payments made to trust staff in accordance with the trust's pay and conditions policy would not be ex-gratia.

Ex-gratia transactions must always be referred to the ESFA for prior authorisation. HM Treasury approval may also be needed depending on the nature of the transaction. If academies are in any doubt about a proposed transaction, they should seek prior advice from the ESFA.

Write-offs and entering into liabilities

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

- Writing-off debts and losses.
- Entering into guarantees, letters of comfort or indemnities.

The delegated limits, subject to a maximum of £250,000, 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 trust that has 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.
- Cumulatively, 5% of total annual income in any one financial year per category of transaction for any trust that has submitted timely, unqualified audited accounts for the previous two financial years.

In relation to these limits:

- The trust should always pursue recovery of amounts owed to it, overpayments, or payments made in error, irrespective of how they came to be made. In practice, however, there will be both practical and legal limits as 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.
- Total annual income is defined as grant income as disclosed in the trust's last set of audited accounts. The ESFA should be contacted if the trust has not yet published their first set of audited accounts

Before accepting any liabilities for the following, the trust should secure value for money by appraising the proposal through an assessment of the costs and benefits of relevant options. The trust must ensure that the value of any liability is within its delegated authority to commit.

The liabilities are:

- Issuing specific guarantees.
- Providing a letter of comfort.
- Providing indemnities.

Cybercrime

All instances to be reported immediately to the Chair of Trustees and the Chair of the Finance, Audit and Risk Committee. A written report

to be submitted to the next meeting of the Finance, Audit and Risk Committee.

Related Party transactions

Who are Related Parties

Related parties for the purpose of reporting them to the ESFA are those that fall within the definition of the Charity SORP (FRS 102) and AFH and broadly include:

- any member or Trustee of the academy Trust
- any individual or body that has the right to appoint a member or Trustee
- any close family members of a member or Trustee

Capturing Related Party Transactions

Capturing related party arrangements starts at the induction process. The induction of new members, Trustees and Governors includes a process to capture full disclosure of pecuniary and business interests for the individual and for their close family members. We encourage individuals to declare all known pecuniary and business interests and not just those that the individual considers to be relevant to the academy Trust. This is an ongoing process which is undertaken on an annual basis.

These declarations are collated by the CFO and included on a Trust register so that finance staff are able to identify a potential related party before inadvertently transacting with one.

Managing Related Party Arrangements

The Academy Trust will assess why, and how, we need to transact with a related party. Related party arrangements will not be the only factor in choosing to transact with a related party over a regular supplier. The board will ensure it fully documents and minutes its decision to enter into the transaction to ensure transparency.

The Trust will also ensure that the 'at cost' principles are still applied. A related party must not make any profit on the transaction and Trustees should ensure that they have undertaken sufficient enquiries (including a written confirmation from the Trustee) that the transaction is at, or below cost, before entering into the transaction.

There should also be a mechanism to enable board members to declare any conflicts of interest at board meetings when a contract

is being awarded or discussed at that meeting. Where this is the case the individual should leave the meeting until the matter is concluded.

Reporting and Obtaining approval

As a Trust we **must**:

Report all contracts and other agreements with a related party to the ESFA before the contract or agreement begins.

Obtain ESFA approval for contracts for goods or services to the Trust where:

A single proposed contract or agreement with a related party on or after 1 September 2023 where a contract or other agreement exceeds £40,000, or

A proposed contract or agreement of any value means the total value of contracts or agreements with the same related party exceeds £40,000 in the same financial year ending 31 August

This does not apply to "salaries and other payments made by the Trust to a person under a contract of employment through the Trust's payroll".

The CFO is responsible for reporting any related party transaction and obtaining approval before any such transaction takes place. This will be done by using the ESFA's online form.