

# Academy Trust Handbook

## Fairfax Multi-Academy Trust

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## 1. Introduction

- 1.1. The purpose of this handbook is to ensure that the Trust maintains and develops systems of financial control, which conform to 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 Secretary of State for Education, through the Education and Skills Funding Agency (ESFA).
- 1.2. The Trust must comply with the principles of financial control outlined in the ESFA Academies Trust Handbook. This handbook expands on that and the Fairfax Multi Academy Trust (FMAT) scheme of delegation (SoD) and provides detailed information on the Trusts financial policies and procedures. This handbook must be read and adhered to by all Trust staff with financial duties.
- 1.3. This handbook is designed to be consistent with:
  - ESFA Academies Trust Handbook
  - The Trust's Articles of Association / Constitution
  - The Master and Supplemental Funding Agreements
  - HM Treasury's "Regularity, Propriety and Value for Money".

## 2. The Organisation

- 2.1. The Trust SoD sets out the delegated powers between the Members, Board of Directors, the Finance and Resources committee, the Audit and Risk committee, the CEO and Academy Associations within the FMAT.

### The Members

- 2.2. The Members of the Trust have a different status from the Directors. The Members are the subscribers to the memorandum of association. Members have an overview of the governance arrangements of the Trust and have the power to appoint Directors and remove these Directors. Members can amend the articles and may do so to support stronger governance arrangements.
- 2.3. The Members of the Trust must ensure that their Members are not currently subject to a direction made under section 128 of the Education and Skills Act 2008 which prohibits individuals from taking part in academy Trust management, and that they do not appoint as a Member, a person who is currently subject to a section 128 direction.
- 2.4. No Members must not be employees of the Trust, nor occupy staff establishment roles on an unpaid voluntary basis.

### The Board of Directors

- 2.5. The Board of Directors have wide responsibilities under statute, regulations and the funding agreement. Principally, it is responsible for ensuring that the Trust's funds are used only in accordance with the law, its articles of association, its funding agreement, the



Academies Trust Handbook and this handbook. This handbook will refer to the Board of Directors as the Board.

- 2.6. The Trust's articles of association will set out conditions determining the minimum number of Trustees the Trust will have. All Trusts should have reserved places for parents, carers or other individuals with parental responsibilities in their governance structure; Trusts should hold elections to fill these places, as appropriate. FMAT should have at least two such places on the Board or at least two such places on each local governing body where the Trust has established them
- 2.7. The Directors will focus on the three core functions of governance:
- ensuring clarity of vision, ethos and strategic direction
  - holding executive leaders to account for the educational performance of the organisation and its students, and the performance management of staff
  - overseeing and ensuring effective financial performance.
- 2.8. The Directors must apply the highest standards of governance and take full ownership of their duties. They must comply with the Trust's charitable objects, with company and charity law, and with their funding agreement. The duties of company Directors are described in sections 170 to 181 of the Companies Act 2006, but in summary are 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 to accept benefits from third parties
  - declare interest in proposed transactions or arrangements
- 2.9. The Directors have a duty to:
- safeguard and promote the welfare of children
  - have regard to any statutory guidance on safeguarding issued by the Secretary of State
  - ensure the suitability of staff, supply staff, volunteers, contractors and proprietors.
- 2.10. When carrying out the Prevent duty as required under section 26 of the Counter Terrorism and Security Act, the Trust is required to follow the Home Office's 'Revised 15 Prevent duty guidance: for England and Wales' and the DfE's general advice 'Protecting children from radicalisation: the prevent duty'.
- 2.11. The main legislation covering this area is the Health and Safety at Work etc. Act 1974 and its regulations. Under the Act the Trust, as an employer, is responsible for the health and safety of its staff, pupils, and any visitors.
- 2.12. The Directors should follow the Department's 'Health and Safety: responsibilities and duties for schools' as well as 'Health and Safety Executive (HSE) guidance for Education'.
- 2.13. The Trust has a duty to manage asbestos in their schools effectively, compliant with the Control of Asbestos Regulations 2012.

- 2.14. The Trust's estate is both an asset and a mechanism to deliver outcomes for pupils. The DfE expects the Trust to manage their school estate strategically and maintain their estate in a safe working condition
- 2.15. The Directors must ensure regularity and propriety in use of the Trust's funds, and achieve economy, efficiency and effectiveness – the three key elements of value for money.
- 2.16. The Trust must not have de facto Directors (as defined in appendix 1 of the Charities SORP 2015) or shadow Directors (as defined in section 251(1) of the Companies Act 2006).
- 2.17. The Chair of Directors is responsible for ensuring the effective functioning of the Board and setting professional standards of governance.
- 2.18. From 1 March 2022 any newly appointed senior executive leader can only be a director if the Members decide to appoint them as such, the senior executive leader agrees and the Trust's articles permit it. The Department's strong preference is for no other employees to serve as Directors, nor for Directors to occupy staff establishment roles on an unpaid voluntary basis, in order to retain clear lines of accountability. This does not prevent Directors from carrying out internal scrutiny.
- 2.19. The Trust will carry out an annual assessment, including a review of the composition of the Board and its committees in terms of skills, effectiveness, leadership and impact.
- 2.20. When the senior executive leader is planning to leave the Trust (for example retirement or resignation), the Board of Directors should approach their Regional Schools Commissioner (RSC) in advance to discuss their structure and options, including plans for recruitment.
- 2.21. An objective independent external review of the effectiveness of the Board can be a more powerful diagnostic tool than a self-evaluation. External reviews are particularly important before the Board undertakes any significant change - for example before a Trust grows significantly, or in cases where concerns around governance arise. The Department's strong preference is that external reviews of governance are also conducted routinely as part of a wider programme of self-assessment and improvement. Reviews should also consider the interaction between Members and Directors, including the extent to which Members are able to assure themselves that the Trustees undertake their duties effectively.
- 2.22. The Board and its committees will meet regularly enough to discharge their responsibilities and ensure robust governance and effective financial management arrangements. Board meetings must take place six times a year (and business conducted only when quorate).
- 2.23. The Board cannot delegate overall responsibility for the academy Trust's funds. However, it must approve a written scheme of delegation of financial powers that maintains robust internal controls. The scheme of delegation should be reviewed annually, and immediately when there has been a change in Trust management or organisational structure.
- 2.24. The Trust must make available for public inspection:
- the agenda for every meeting of the Trustees, local governing bodies and committees
  - the approved minutes of each meeting



- any report, document or other paper considered at each meeting.
- 2.25. The Trust may exclude from any item any material relating to:
- a named teacher or other employee or proposed employee
  - a named pupil or student at the academy, or candidate for admission or referral to it
  - any matter which, by reason of its nature, the Trustees are satisfied should remain confidential.
- 2.26. The Trust should have a finance committee to which the Board delegates financial scrutiny and oversight, and which can support the Board in maintaining the Trust as a going concern.
- 2.27. There are two finance subcommittees of the Board, the Finance and Resource Committee (FRC) and the Audit and Risk Committee (ARC). Directors of the Board make up these committees and are advised by the Accounting Officer (AO) and Chief Financial Officer (CFO).
- 2.28. The chair of Trustees should not be chair of the audit and risk committee. Where the FRC and ARC committee are separate, the chair should not be the same.

### **The Finance & Resource Committee (FRC)**

- 2.29. The Trust takes full responsibility for its financial affairs and use resources efficiently to maximise outcomes for students. The Trust has delegated this responsibility down to the FRC.
- 2.30. The FRC is a subcommittee of the Board and meet at least 4 times a year or more frequently if necessary.
- 2.31. It is authorised to investigate any activity within its terms of reference or that is specifically delegated to it by the Board. It is authorised to request any information it requires from any employee, external auditor, internal auditor or other assurance provider.
- 2.32. The FRC is authorised to obtain any outside legal or independent professional advice it considers necessary, normally in consultation with the AO and/or the Board. However, the FRC may not incur expenditure in excess of £10,000 without the prior approval of the Board.
- 2.33. The FRC is responsible for detailed consideration as to the best means of fulfilling the Trust's responsibility to ensure sound management of its finances and resources, including proper planning, monitoring and probity.
- 2.34. The FRC is responsible for scrutinising the Trust's budgets and finance procedures by:
- assisting in the promotion of the highest standards of propriety in the use of public funds and encouraging proper accountability for the use of those funds;
  - improving the quality of financial reporting by reviewing internal and external financial statements on behalf of the Board; and
  - promoting a climate of financial discipline and control, which will help to reduce the potential for financial mismanagement.



- 2.35. The FRC reports its findings to the Board as a critical element of the Trust's reporting requirements.

### **The Audit and Risk Committee (ARC)**

- 2.36. The ARC is a subcommittee of the Board and meet at least 4 times a year or more frequently if necessary.
- 2.37. The ARC is authorised to investigate any activity within its Terms of Reference or that is specifically delegated to it by the Board. It is authorised to request any information it requires from any employee, External Auditor, Internal Auditor or other assurance provider.
- 2.38. Members of the ARC will not include employees within the Trust. However, the Accounting Officer and other relevant finance staff may attend to provide information for the purposes of reporting and discussion.
- 2.39. The role of the ARC is:
- To recommend to the Board the appointment or reappointment of Auditors.
  - To review with the auditors, the findings of their work including,
    - any major issues that arose during the course of an audit which have subsequently been resolved
    - any issues that have been left unresolved since the auditor's previous visit
    - any key accounting and audit judgements
    - any levels of errors identified during the audit
    - obtaining explanations from management and, where necessary, the external auditors, as to why certain errors might remain unadjusted.
    - any issues arising from the auditor's review of the Accounting Officer's statement on regularity, propriety and compliance.
  - To review and monitor the content of the auditors' management letter, in order to assess whether it is based on a good understanding of the Trust's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon.
  - To ensure there is an appropriate, reasonable and timely response to any findings from the auditors
  - The ARC's work must focus on providing assurances to the Board that all risks are being adequately identified and managed. In particular, reviewing the risks to internal financial control at the Trust and agreeing a programme of work to address and provide assurance on those risks.
  - To review the Trust's risk management process to assess business risks and the implementation of risk management strategies. In particular, ensuring the process involves identifying the types of risks the Trust faces, scoring and prioritising those risks in terms of their potential operational and financial impact, assessing the likelihood their occurrence and identifying means of mitigating the risks.
- 2.40. The ARC will make appropriate comments and recommendations on such matters to the Board for ratification.

## The Clerk to the Board

- 2.41. The Trust must appoint a governance professional to support the Board of Directors who is someone other than a director, principal or chief executive of the Trust. A governance professional can contribute to the efficient functioning of the Board by providing:
- guidance to ensure the Board works in compliance with the appropriate legal and regulatory framework, and understands the potential consequences of non-compliance
  - independent advice on procedural matters relating to operation of the Board
  - administrative and organisational support.
- 2.42. For non-executive Directors a knowledgeable clerk to the Board (or company secretary) is an essential part of their tool kit.
- 2.43. In complying with the Independent School Standards, and as set out in funding agreements, academy Trusts must ensure enhanced Disclosure and Barring Service (DBS) certificates are obtained as appropriate for all staff and supply staff.
- 2.44. Similarly, all Trust Members, Directors and individuals on any committees including local governing bodies are required to have an enhanced criminal records certificate from the Disclosure and Barring Service (DBS), which does not include a barred list check (unless in addition to their governance duties they also engage in regulated activity)

## Accounting Officer (AO)

- 2.45. The Board will appoint a senior executive leader who may be appointed as a Director. For FMAT, this is the Chief Executive Officer (CEO) for consistency with the ESFA Academies Trust handbook this handbook will refer the CEO as the Accounting Officer (AO).
- 2.46. The appointment of an AO does not remove the responsibility of Directors for the proper conduct and financial operation of the Trust. The individual must be a fit and suitable person for the role.
- 2.47. The role of AO includes specific responsibilities for financial matters. It includes a personal responsibility to Parliament, and to ESFA's Accounting Officer, for the financial resources under the Trust's control. The AO must be able to assure Parliament, and the public, of high standards of probity in the management of public funds, particularly regularity, propriety and value for money. AO must also adhere to the 'seven principles of public life':
- Selflessness
  - Integrity
  - Objectivity
  - Accountability
  - Openness
  - Honesty
  - Leadership
- 2.48. The AO must have appropriate oversight of financial transactions, by:
- ensuring that the Trust's property and assets are under the control of the Directors, and measures exist to prevent losses or misuse



- ensuring that bank accounts, financial systems and financial records are operated by more than one person
  - keeping full and accurate accounting records to support their annual accounts
- 2.49. The AO must complete and sign a statement on regularity, propriety and compliance each year and submit this to ESFA with the audited accounts. The AO must also demonstrate how the Trust has secured value for money via the governance statement in the audited accounts.
- 2.50. The AO must take personal responsibility (which must not be delegated) for assuring to the Board that there is compliance with the funding agreement and Academies Trust Handbook. The AO must advise the Board in writing if any action it is considering is incompatible with the articles, funding agreement or Academies Trust Handbook. Similarly, the AO must advise the Board in writing if the Board fails to act where required by the funding agreement or Academies Trust Handbook. Where the Board is minded to proceed, despite the AO's advice, the AO must consider the Board's reasons and if the AO still considers the action proposed by the Board is in breach of the articles, the funding agreement or Academies Trust Handbook, the AO must notify ESFA's Accounting Officer immediately in writing.
- 2.51. All written responses to Dfe or ESFA must obtain prior approval from the AO.
- 2.52. The main financial responsibilities of the AO are:
- development of the budget;
  - development of medium-term financial planning;
  - regular monitoring of actual expenditure and income against budget;
  - ensuring the financial statements are produced with regard to the Academies Accounts Direction issued by ESFA, the Charities Act 2011 and the Companies Act 2006, the Companies Act 1985 and the DfE guidance issued to academies;
  - ensuring that the regular reports provided to the Board are timely and accurate;
  - authorising orders and the award of contracts within the approval limits shown in the Trust SoD; and
  - authorising payments within the approval limits shown in the Trust SoD.

## **Chief Financial Officer (CFO)**

- 2.53. The Trust will appoint a Chief Financial Officer (CFO). For FMAT, this is the Chief Operating Officer (COO) however, for consistency with the ESFA Academies Trust handbook this handbook will refer the COO as the CFO. CFO works in close collaboration with the AO, through whom he/she is responsible to the Board. The CFO should play both a technical and leadership role.
- 2.54. The Trust's finance staff must be appropriately qualified and/or experienced. The Trust should assess whether the CFO, and others holding key financial posts, should have a business or accountancy qualification and hold Membership of a relevant professional body, dependent on the risk, scale and complexity of financial operations. While a formal accountancy qualification may serve as a proxy for the necessary skills and experience required for this role, there is no presumption that there will always be a perfect match. Many CFOs combine financial responsibilities with other support and leadership duties where a formal accountancy qualification may be less relevant. The Institute of School Business Leadership's Professional Standards indicate the main disciplines that the CFO role may cover.



2.55. The main responsibilities of the CFO are:

- management of the Trust's financial position at a strategic and operational level within the framework for financial control determined by the Board;
- maintenance of effective systems of internal control;
- ensuring that the annual financial statements are properly presented and adequately supported by the underlying books and records of the Trust;
- preparation of budgets and medium-term financial plans;
- ensuring returns to the ESFA and other funding agencies are completed correctly and on time;
- ensuring returns to all statutory agencies are completed;
- cash flow and treasury management including managing investments;
- the functional management of both the Business Partner and the Accountant;
- authorising orders and the award of contracts within the approval limits shown in the Trust SoD;
- approving legal terms and conditions for supplier contracts; and
- authorising payments within the approval limits shown in the Trust SoD.

### 3. Risk Management

- 3.1. The Trust has a risk management policy in place, which includes the requirement for regular maintenance and review of a risk register. The risk register contains details of designated individuals who oversee particular areas of risk.
- 3.2. 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 that the day-to-day operations are maintained.
- 3.3. The Trust should:
- Report to each ARC meeting the most significant risks facing the Trust
  - Ensure appropriate levels of awareness throughout the Trust
  - Report annually on the effectiveness of the risk management process in the Trust
  - Report to the Trust's stakeholders on a regular basis its risk management policies and the effectiveness in achieving its objective

#### The risk protection arrangement

- 3.4. The FRC reviews insurance arrangements annually. They ensure that the sums insured are commensurate with the risks and include cover for Trust property when off the premises.
- 3.5. The Trust has opted into the Department for Education's Risk Protection Arrangements. Information for this policy can be provided upon request.
- 3.6. The first £500 of replacement must be funded by the Department concerned as no budget is held centrally. Items under £500 will receive no insurance pay out and it is up to the Department concerned as to whether the item will be replaced or not.



## 4. Financial planning

- 4.1. The Trust will prepare 3-year financial plans.
- 4.2. The financial plan is prepared as part of the Trust development planning process. The Development Plans indicate how the Trust's educational and other objectives are going to be achieved within the expected level of resources over the next three years.
- 4.3. The Development Plan provides the framework for the annual budget. The budget is a detailed statement of the expected resources available to the Trust and the planned use of those resources for the following years.
- 4.4. The development planning process and the budgetary process are described in more detail below.

### Strategic Planning

- 4.5. The Trust has a 3-year strategic aims that outlines the areas of focus and development. This is underpinned by two plans one being the Trust Annual Delivery Plan (ADP) and the other being the Academy Improvement Plan.
- 4.6. The ADP is concerned with the future aims and objectives of the Trust and how they are to be achieved, which includes matching the Trust's objectives and targets to the resources expected to be available. Plans will be kept relatively simple and flexible. They are the "big picture" within which plans that are more detailed may be integrated.
- 4.7. Each year the AO will propose a budget cycle and timetable to the Board which allows for:
  - a review of past activities, aims and objectives - "did we get it right?"
  - definition or redefinition of aims and objectives – "are the aims still relevant?"
  - development of the plan and associated budgets – "how do we go forward?"
  - implementation, monitoring and review of the plan – "who needs to do what by when to make the plan work and keep it on course" and feedback into the next planning cycle – "what worked successfully and how can we improve?"
- 4.8. The timetable will specify the deadlines for the completion of each of the key stages described above. Lead responsibility for the completion of each of the stages will be assigned by the AO.
- 4.9. The completed ADP will include detailed objectives for the coming academic year and outline objectives for the following three years. The plan should also include the estimated resource costs, both capital and revenue, associated with each objective and the success criteria against which achievement can be measured.



## Budget Planning

- 4.10. The Trust prepares rolling 3-year budgets which derives from the development plan.
- 4.11. The budget cycle is as follows:
- Autumn term (Sept – Dec)
    - Implementation of current budget plan
    - Monitoring expenditure (continuous-monthly)
    - Reconciliation and closure of previous financial year
  - Spring term (Jan – Mar)
    - Monitoring and Reviewing of year's budget
    - Revised Budget where appropriate
    - Pre-planning new financial year
  - Summer term (Apr – Aug)
    - Planning for forthcoming year
    - Preparation and submission of financial budget plan
    - Review of current year's budget
- 4.12. All requirements of the ESFA, in particular relating to carry forward of unspent funds, will be taken into account in preparing and submitting the budget.
- 4.13. The AO is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the AO, FRC and the Board.
- 4.14. The budget forecast must be submitted to the DfE by the specified date each year, and the CFO is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.
- 4.15. The Board must ensure that budget forecasts, for the current year and beyond, are compiled accurately, based on realistic assumptions including any provision being made to sustain capital assets, and are reflective of lessons learned from previous years. It should challenge student number estimates as these will underpin revenue projections. The Trust will take an integrated approach to curriculum and financial planning.
- 4.16. The budgetary planning process will incorporate the following elements:
- forecasts of students numbers to estimate the amount of General Annual Grant
  - latest estimate of other ESFA funding e.g. pupil premium or other specific funds
  - review of other income sources available to the Trust
  - review of past performance against budgets
  - identification of potential efficiency savings
  - review of the main expenditure headings considering the DP objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes
  - all carry forward balances
  - any unspent grants or funds from the previous financial year



## **Balancing the Budget**

- 4.17. The Board must approve a balanced budget, and any significant changes to that budget, for the financial year to 31 August. The Board can balance the budget by drawing on unspent funds brought forward from previous years. If it does so, the Board will minute its approval.
- 4.18. The Board will notify ESFA within 14 days of its meeting if it is proposing to set a deficit revenue budget for the current financial year, which it cannot address after unspent funds from previous years are taken into account.
- 4.19. The approved budget is then entered onto the finance system at the start of the new financial year.
- 4.20. The budget should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.
- 4.21. The budget will be accompanied by a statement of assumptions and hierarchy of priorities so that if circumstances change, it is easier for all concerned to take remedial action. The budget should be seen as a working document, which may need revising throughout the year as circumstances change.

## **Budget Forecast Return (BFR)**

- 4.22. The approved budget must be submitted to ESFA in July each year by AO. The CFO is responsible for establishing a timetable, which allows sufficient time for the approval process and ensures that the submission date is met.

## **Budget Management**

- 4.23. Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where cuts can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and expenditure are in balance. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need in accordance with the ADP.
- 4.24. Monitoring and analysis of the agreed budget should be carried out on a monthly basis by the AO and CFO and reports forwarded to the Chair of Directors.

## **Virements and budget variances and out of budget spend**

- 4.25. A schedule shall be presented and approved by the FRC at each meeting. Approval limits are as follows:
- Up to £10,000 – Approval by Business Partner
  - Over £10,000 – Approval by CFO
  - Over £100,000 – Approval by AO



- 4.26. If there is out of budget expenditure <£100k then this will require both AO and FRC approval or Board approval if >£100k
- 4.27. All virements between academies budgets shall require prior approval from the Board.

### **Revised Budget**

- 4.28. Where significant variations to the agreed budget are identified or where a number of substantial virements have been approved by the FRC and/or where significant, staff changes have occurred in-year, then a Revised Budget should be prepared and approved by the Board. This Revised Budget should then form the basis of analysis of all income and expenditure until the financial year-end.

### **Budget Forecast Return Outcome (BFRO)**

- 4.29. The BFRO collects financial outturn information as at the end of March each year.
- 4.30. The approved BFRO must be submitted to ESFA by 21 May each year by AO. The CFO is responsible for establishing a timetable, which allows sufficient time for the approval process and ensures that the submission date is met.

### **Monitoring the budget**

- 4.31. The Trust prepare management accounts every month setting out its financial performance and position. The CFO takes appropriate action to ensure ongoing viability.
- 4.32. The Management accounts will be shared with the Chair of Board every month and with the other Directors six times a year. The Board will consider these when it meets.
- 4.33. The Board will ensure appropriate action is being taken to maintain financial viability including addressing variances between the budget and actual income and expenditure.
- 4.34. The format of management accounts will include an income and expenditure account, variation to budget report, cash flows and balance sheet.
- 4.35. The Trust will select key financial performance indicators and measure its performance against them regularly, including analysis in its annual Directors' report.
- 4.36. Where the Board has concerns about financial performance, it should act quickly ensuring the Trust has adequate financial skills in place.

### **Review of regularity**

- 4.37. The AO reviews the following documents termly to ensure the Trust is working within the boundaries of regularity and propriety:
- reviews management accounts
  - reviews compliance against the scheme of delegation
  - reviews transactions for evidence of connected party transactions





- value for money practice
  - review of Directors' minutes
- 4.38. The AO has delegated the following responsibilities to CFO
- adherence to tendering policies
  - review of transactions confirming in line with delegated authorities as set out by the Academies Trust Handbook
- 4.39. A checklist is completed for each review undertaken.

## 5. Managing General Annual Grant (GAG)

- 5.1. ESFA will report to DfE any Trusts where it has serious concerns about a long-term substantial surplus with no clear plans for its use.
- 5.2. The Trust has amalgamated a proportion of GAG for its academies to form one central fund. This fund is used to meet the normal running costs at any of its academies within the Trust. In accordance with its funding agreement it will not pool PFI funding.
- 5.3. The Trust will consider the funding needs and allocations of each academy and has an appeals mechanism.

## 6. Reserves

- 6.1. Any overall surpluses or deficits (reserves) at the end of the year are carried over to the following year.
- 6.2. The AO must inform ESFA immediately if a Trust deficit is anticipated.
- 6.3. If the Trust is anticipating a deficit at the end of any financial year, the Directors and AO have a responsibility to ensure action is taken at the earliest opportunity to address this issue. The Board must ensure that a recovery plan is submitted and approved by the ESFA.
- 6.4. If the Trust has a surplus larger than 12% of its GAG allocation, the Board through the AO will need to submit a detailed plan stating why the Trust requires reserves to be held at this level together with a plan for the date of expenditure
- 6.5. The CFO and the FRC will review the reserves level of the Trust annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The level of reserves will be kept under review by the Directors.
- 6.6. The Trust will seek to build up free reserves in order to contribute to any pension deficit that may arise from time to time and to develop the Trust's longer-term goals and ambitions by building up seed funding for future capital projects and educational

initiatives for the benefit of students.

- 6.7. The Trust will consider the maintenance of a minimum working reserve in order to minimise any financial risks facing the Trust, such as delays between spending and the receipt of grants, or unexpected emergencies.
- 6.8. The FRC has determined that the appropriate level of free reserves should be equivalent to 4 weeks of expenditure. The reason for this is to provide sufficient working capital to enable the Trust to manage its cash flow efficiently; thus, to cover delays between spending and the receipt of grants, to manage annual variations in student numbers and to provide a cushion to deal with unexpected emergencies.

## 7. Capital Reserves

- 7.1. Any overall surpluses at the end of the year are carried over to the following year.
- 7.2. It is the responsibility of CFO to keep accurate records of the capital funds, especially where grants have been received for capital projects.

## 8. Income

### Funding

- 8.1. The CFO is responsible for ensuring that all grants due to the Trust are collected. The receipt of these sums are to be monitored and recorded by the CFO.
- 8.2. All grant applications must be approved prior submission by the appropriate person outlined in the Trust SoD.
- 8.3. The CFO is responsible for recording income and expenditure for each grant and reconciling annually.
- 8.4. The main sources of income for the Trust are the grants from the ESFA. The Trust also obtains grants and income from:
  - Local authorities for special educational needs (SEN) and looked after children (LAC) students;
  - Students, mainly for educational visits and catering;
  - The public, mainly for the hire of the Trust facilities.
- 8.5. The Trust may be awarded specific funding for other projects e.g. Condition Improvement Funds, Character Bid funding, Additional Special Educational Needs funding, Sport England Funding, Football Foundation Funding, and Charitable Grants etc. This funding may be from the Department of Education or Local Authority.
- 8.6. All government funding will be spent in accordance with the terms and conditions



imposed, accurately recorded as government income (restricted) and audited externally annually.

### **Commercial income**

- 8.7. Where the Trust enters into new types of commercial income generation arrangements the Boards approval must be obtained.
- 8.8. The CFO must approve the legal terms and conditions for commercial income generation arrangements.

### **Funds held in Trust**

- 8.9. Where funds are held in Trust the CFO is responsible for ensuring accurate recording of the income and expenditure, as well as ensuring the funds are recognised separately as set out in the memorandum and articles.

### **Educational Visits**

- 8.10. The Trust has a specific procedure for educational visits. A designated staff Member must be appointed for each educational visit and take responsibility for the collection of sums due. The appointment must be approved by the Educational Visit Coordinator (EVC).
- 8.11. The designated staff Member will be responsible for approving visits, estimating the costs, ensuring the cash is collected, and reporting any risks or issues to the EVC and Educational Activities Officer.
- 8.12. Students should make payments via the online system ParentPay or where unable contact the Finance Department to arrange another method of payment.
- 8.13. A reconciliation will be completed by the Educational Activities Officer when all income and expenditure is received. Any surplus greater than 5% of income received may be redistributed to parents. If the Trust decides to subsidise the educational visit the amount of subsidy must be approved by the relevant budget holder and EVC in advance of the booking being made.

### **Catering**

- 8.14. Cash payments must be reconciled daily by the Catering Manager to the system generated sales records and signed as evidence of reconciliation. The school meal numbers, and cash totals are then to be entered onto the weekly banking sheet. The cash is kept in the safe prior to weekly collection for banking. The Finance Department must reconcile the weekly banking sheet to actual receipts banked.
- 8.15. The fortnightly bank credits are reconciled to the PS Financial reports in the first instance. Monthly checks are undertaken by Finance Department and cross-referenced to monthly reports.



## Lettings

- 8.16. The letting and hire of Trust facilities will be conducted in line with the Lettings Policy for the Trust, which includes a scale of charges that is reviewed annually.
- 8.17. Copies of the organisations up to date relevant Public Liability, indemnity, insurance and qualifications (where relevant e.g. H&S, First Aid, Instructor etc.) are kept with the Letting Agreements and are reviewed at least annually by the Income & Grants Generation Officer.

## Custody

- 8.18. Monies collected should be held securely in the Trust Finance Department safe and should be banked and reconciled promptly. Official, Trust receipts should be issued for all cash received to safeguard staff and students.

## Sundry income

- 8.19. Income from other sources (for example educational consultancy) is priced in consultation with the AO. The transaction must not be undertaken until the price has been agreed and the customer has been assessed for ability to pay. The AO approves all credit agreements.

## Gift aid

- 8.20. To ensure the Trust, in its position as an exempt charity, receives all the monies it is entitled to the CFO:
- reconciles income against records to confirm expected amounts have been received by the donor
  - ensures that the tax reclaimable from HMRC has been obtained and any relevant business use deductions have been made.

## Bad debts

- 8.21. Debtor reports are reviewed each month by the Finance Department and monies due chased. Those that have not been paid within 30 days of an invoice being issued are contacted by telephone or letter.
- 8.22. If the debt remains unrecoverable after 6 months, or if it becomes clear that the debt will not be repaid, the Income & Grants Generation Officer will submit a report to CFO for approval to write it off. The following write-off limits apply:
- Up to £1,000 – Approval by the AO reporting to the FRC
  - Over £1,000 – Approval by the FRC, reporting to the Board



8.23. The Trust must obtain ESFA's approval for the following transactions beyond the delegated limits set out below:

- writing-off debts and losses
- entering into guarantees, letters of comfort or indemnities

8.24. 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 financial year per category of transaction for any Trusts that have not submitted timely, unqualified audited accounts for the previous two financial years. This category includes new Trusts that have not had the opportunity to produce two years of audited accounts
- cumulatively, 5% of total annual income in any financial year per category of transaction for any Trusts that have submitted timely, unqualified audited accounts for the previous two financial years

8.25. In relation to these limits:

- the Trust will always pursue recovery of amounts owed to it, including overpayments, or payments in error.
- the Trust will 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 arrangement, and will be satisfied there is no feasible alternative
- the amounts for write-offs are before any successful claims from an insurer or the risk protection arrangement

8.26. Before accepting any liabilities by issuing guarantees, a letter of comfort or indemnity, the Trust will secure value for money by appraising the proposal through an assessment of the costs and benefits of relevant options.

## **VAT 126 form**

8.27. The Finance Officer will complete a VAT reconciliation each month and submit it to the Accountant for submission to HRMC for reimbursement.

8.28. The Accountant is responsible for submitting the Trust's VAT 126 form to HRMC each month for the reimbursement of VAT incurred.

## **9. Charging and Remissions**

9.1. The Trust has a charging and remissions policy in place as required by Sections 449 – 462 of the Education Act 1996.

9.2. The Trust wishes to provide for all students the best possible educational opportunities available from within the funds allocated by the Education & Skills Funding Agency



(ESFA). Education during normal school hours is to be free of any compulsory charge to parents/carers and the Trust is committed to uphold the legal requirements.

- 9.3. However, many educationally valuable trips have been and will continue to be dependent on financial contributions in whole or in part from parents/carers. Without that financial support, the Trust would find it impossible to maintain the quality and breadth of the educational programme currently provided for students. The Trust's concern is to keep financial contributions to a reasonable minimum, and to ensure as far as possible that all students are able to take part, irrespective of their circumstances.

## 10. Cash Management

- 10.1. The Trust will manage its cash position robustly and will avoid becoming overdrawn.

### Bank Accounts

- 10.2. The following procedures must be followed when opening a bank account and operating it:
- the Trust is responsible for selecting the banking institution and negotiating the terms and conditions
  - the Board must authorise the opening of all bank accounts
  - the Trust will ensure that in the event of changes to key personnel or Directors, signatories will be changed immediately, and the bank notified. Any on-line access to banking will also be removed
  - terms of arrangements, including cheque signatories or BACS authorisations and the operation of the accounts must be formally recorded and agreement minutes
  - the Trust must inform the bank, in writing, that their accounts must not become overdrawn
  - the Trust must ensure there are enough funds to cover large payments

### Deposits

- 10.3. The CFO is responsible for updating the accounting system (within 2 working days) for deposits placed.

### Payments and withdrawals

- 10.4. Payments will be made primarily by BACs directly from the main bank account or in certain circumstances, payments can be made using cheque. VAT receipts are required for all claims for payment.
- 10.5. All BACS, cheques and other instruments payments must be in line with the bank mandate. Authorising payment from the Trust bank accounts must bear two signatures also detailed in Trust SoD:
- Any total payment < £100,000 – Approval by the CFO and Accountant



- Any total payment > £100,000 – Approval by the AO and CFO
  - Any individual invoice > £200,000 – Approval by chair of the FRC and AO
- 10.6. Where authorised signatories sign a payment relating to goods or services for which they have also authorised the expenditure the payment must be countersigned by the AO or Chair of the Finance and Resource Committee.
- 10.7. Where an authorised signatory signs a BACS payment or cheque pay list that includes a personal reimbursement, the CFO or AO must countersign the pay list. No authorised signatories should ever sign a cheque made payable to them.
- 10.8. Normally, BACS payments are processed within a month of receipt, although every effort is made to ensure the school benefits from early payment discounts.

### Administration

- 10.9. The CFO ensures that bank statements are downloaded regularly and that reconciliations are performed at least on a monthly basis. Reconciliation procedures must ensure that:
- all bank accounts are reconciled to the Trust's cash book
  - reconciliations are prepared by the Finance Department
  - reconciliations are subject to an independent monthly review carried out by CFO or in his/her absence the AO.
  - adjustments arising are dealt with promptly

### Charge card

- 10.10. The Trust has approved the use of the Lloyds Business Charge Card
- 10.11. From time to time, the academies may be offered an opportunity to purchase goods or arrange for services from companies that shall not invoice but shall only accept a direct payment. In order to make use of these offers, the academies hold a charge card. The Finance Business Partner at the Trust will ensure that there is budgetary provision for all purchases and that there is an enough funds available in the bank to cover the expenditure.
- 10.12. The primary method of payment remains invoicing and this shall generally be used in preference to card purchases where such is offered by the supplier.
- the Trust authorises any one or more of the following to be a cardholder:
    - AO
    - CFO
    - Finance Business Partner
  - the charge card shall be issued by Lloyds bank, the Trust's bankers
  - in the event of loss of the PIN number, the bank will be able to provide cardholders only with the information
  - should the card be lost or stolen, the loss shall be reported by the cardholder to the issuing bank, the police and the CFO immediately



- should fraud or misuse be suspected, the bank should be informed immediately so that the appropriate action can be taken
- the charge card account shall have a spending limit of between £5,000 and £10,000 in line with the financial authorisation limits. Any amendments can only be actioned with the approval of the AO and CFO in line with the bank mandate
- the charge card balance shall be settled in full automatically each month by direct debit; there are no credit facilities available on the card
- the cards shall not be used for personal expenditure under any circumstances
- cash withdrawals will not normally be required and must be pre-approved
- all orders must be delivered to the academies address
- all authorised cardholders shall sign to accept that they have personal responsibility for transactions on “their” card which are not conducted with the approval of the Trust in accordance with this policy
- cardholders shall also authorise the Trust to recover the cost of any unauthorised transactions, and where reimbursement is not received, then the Trust is authorised to either make a salary deduction or take legal action to recover the unauthorised amount
- a VAT (if applicable) receipt must be obtained
- if ordering online using the security code, the cardholder must have a purchase order signed in advance
- the cardholder must present the receipt for goods/services attached to a Purchase Requisition form to the Finance Department for processing
- all receipts shall be authorised in line with the Trust's procurement procedures

10.13. The cardholders complete a credit card log on a monthly basis. The credit card log includes the purchases made in the month agreeing to the credit card statement for that period and supporting VAT receipts for each transaction. The log is signed by the card holder and the CFO or AO or Chair of the Finance and Resource Committee.

## Investments

- 10.14. The CFO is responsible for preparing cash flow forecasts to ensure that the Trust has sufficient funds available to pay for day-to-day operations. If significant balances can be foreseen, steps should be taken to invest the extra funds. Similarly, plans should be made to transfer funds from another bank account or to re-profile GAG to cover potential cash shortages and reported to the CFO immediately.
- 10.15. All investment decisions are made in accordance with the requirements of the Academies Trust Handbook and the Charity Commission's guidance (CC14 Charities and investment matters: A guide for Directors).
- 10.16. The aim of this policy is to ensure that funds, which the Trust does not immediately need to cover anticipated expenditure, are invested in such a way as to maximise income but without risk.





- 10.17. When considering an investment, the Board must:
- act within its powers to invest as set out in its articles
  - have an investment policy to manage and track its financial exposure, and ensure value for money
  - exercise care and skill in investment decisions, taking advice as appropriate from a professional adviser
  - ensure that exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximisation
  - ensure that investment decisions are in the best interests of the Trust
  - review the Trust's investments and investment policy regularly
- 10.18. ESFA's approval must be obtained for investment transactions that are novel, contentious and/or repercussive.
- 10.19. Our aim is to spend the public monies with which we are entrusted for the direct educational benefit of students as soon as is prudent. The Trust does not consider the investment of surplus funds as a primary activity; rather it is the result of good practice as and when circumstances allow.
- 10.20. The purpose of the policy is to:
- To ensure adequate cash balances are maintained in the current account to cover day-to-day working capital requirements.
  - To ensure there is no risk of loss in capital value of any cash funds invested.
  - To protect the capital value of any invested funds against inflation.
  - To optimise returns on invested funds.
- 10.21. The CFO is responsible for preparing cash flow forecasts to ensure that the Trust has sufficient funds available to pay for day-to-day operations. If significant balances can be foreseen, steps should be taken to invest the extra funds. Similarly, plans should be made to transfer funds from another bank account or to re-profile GAG to cover potential cash shortages and reported to the CFO immediately.
- 10.22. Where the cash flow identifies a base level of cash funds that will be surplus to requirements, these may be invested following approval from the FRC. Approval must be signed off and recorded in the minutes.
- 10.23. In making decisions regarding where and how any surplus funds should be invested, due regard will be given to risk.
- 10.24. Currently, surplus funds are invested into a fixed-term deposit with Lloyds. Interest is received when the investment matures.
- 10.25. The FRC will receive a report at each meeting as to the performance of the investment.
- 10.26. The aim is to reach an appropriate level of reserve to allow the CFO and the FRC to



explore alternative investment possibilities, with criteria being:

- Investment with a different counterparty (in order to reduce counterparty risk);
- Consideration of whether there should be a maximum level of investment with a single approved counterparty; and
- A longer-term investment with a higher return (but not high-risk investments, which are not in the best interests of the Trust).

- 10.27. Investments are made in accordance with written procedures approved by the Board.
- 10.28. All investments are recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

## 11. Procurement and contracts

### Introduction

- 11.1. The Trust is the sole legal entity which can enter into contracts for itself and any Academies. The Academies themselves are not separate legal entities and any contracts awarded by individual Academies will be binding on the Trust. All expenditure is recorded by the Trust to comply with DfE audit requirements.
- 11.2. It is essential that the correct level of authority is sought, obtained and retained before entering into any contract, authority levels are detailed in the Trust SoD.
- 11.3. This section of the handbook applies to any contract for services, supplies or works, which results in a payment being made by the Trust or an Academy. It is therefore important that all staff are aware of it.
- 11.4. Along with the guidelines set below the Trust has a separate procurement policy in place which includes further details.

### Basic Principles of procurement

- 11.5. The basic principle is that procurement should deliver best value for money to the Trust at all times, although this is not necessarily the lowest cost. An explanation will need to be provided when the lowest cost quotation or tender is not accepted. The procurement process should be considered before any purchase is made.

### Requisition approval

- 11.6. All requisitions must be made using the procurement system. Requisitions must bear the signature of the appropriate persons outlined in the Trust SoD before submitting to the Finance Department.



- 11.7. IT expenditure is required approval as outlined in the Trust SoD.

### **Actions before purchase**

- 11.8. Before purchasing, there must be a clear set as to what you want to buy. This means knowing in advance what you want the goods, works or services to do, together with the quantity, maximum cost and delivery / completion requirements.

### **Framework Arrangements**

- 11.9. Buying from a framework enables a quicker and easier process than getting bids or quotes because the agreements have already been through a full competitive tender process, have been quality checked, are checked to make sure they comply with the law and may have draft specifications and help available.
- 11.10. Once all the relevant questions are answered in the link below, it will then provide the most suitable framework and website where quotes can be obtained from suppliers.  
<https://www.gov.uk/guidance/find-a-dfe-approved-framework-for-your-school>
- 11.11. The Procurement Officer will use those suppliers and develop a preferred supplier list which will be the main document used for procuring.
- 11.12. Wherever possible and in accordance with the Academies Trust Handbook and DfE policy, the Trust should avoid running its own procurement processes, and instead follow the above procedure in using an existing framework.

### **Preferred supplier list**

- 11.13. The Procurement Officer must use the above framework guidelines to create a preferred supplier list which is reviewed annually or where necessary.
- 11.14. The preferred supplier list is made accessible to all staff Members and must be used when completing the requisition forms.
- 11.15. It is the Procurement Officers responsibility to ensure that the suppliers used on the procurement system match the supplier on the preferred supplier list.

### **Extending or varying existing contracts**

- 11.16. The procurement Officer must be contacted where there is consideration in extending an existing contract or using an existing Trust contract for a purchase.

### **Valuing the contract**

- 11.17. It is the Procurement Officers responsibility to ensure that the contracts are being properly assessed for value. A contract must not be divided into smaller contracts with the effect of avoiding the procurement rules.



- 11.18. The contract value is based on the total value of the expenditure which is the subject of the procurement. All Academies' needs should be combined into one procurement if they are the same or similar.
- 11.19. If the exact expenditure over the life of the contract is unknown, then the average annual expenditure must be taken and multiplied by the estimated duration of the contract. So, for example - If a service contract is for four years or more, the value is estimated by multiplying the amount that is expected to be paid each month by 48. For example: £750 x 48 = contract value of £36,000.
- 11.20. The estimated duration of the contract must include any extensions or options to renew.

### **Procurement cards**

- 11.21. The Cardholder and Procurement Officer will be responsible for all purchases made on the procurement card.

### **Procurement Thresholds**

- 11.22. Approval of any spend must be in line with the Trust SoD.

### **Orders up to £10,000**

- 11.23. Use of a public sector framework must be considered
- 11.24. Competitive quotes are not needed if the using a preferred supplier, but a written quotation must be obtained from the supplier before a purchase order can be issued.
- 11.25. If a framework of a supplier not on the preferred supplier list is being used 3 competitive must be obtained.

### **Orders over £10,001 - £30,000**

- 11.26. Use of a public sector framework must be considered
- 11.27. At least three written quotes must be obtained
- 11.28. Telephone quotes are acceptable if these are evidenced and faxed or emailed confirmations of quotes have been received before a purchase decision is made.
- 11.29. On approval, quotes should be attached to the Purchase Requisition form.

### **Between £30,000 and £200,000**

- 11.30. Use of a public sector framework must be considered. These will be managed with support from the Procurement Officer.
- 11.31. A business case for the expenditure must be produced prior to any expenditure and should be considered by the CFO and AO as per the Trust SoD.



- 11.32. The business case should identify the following needs:
- Best value for money;
  - Benefits to the Organisation (Financial/Non-Financial);
  - Specification of the requirement;
  - Market Testing; and
  - Procurement strategy
- 11.33. An advertisement must be placed to seek expressions of interest from interested Bidders. The decision about where to advertise must be taken on a case-by-case basis and should be proportionate and reasonable. Such advertising could include, for example, the Trust's or Academy's website or any E-tendering platform being utilised by the Trust.
- 11.34. Bidders must be allowed suitable time to respond to the advertisement. This must be clearly set out together with any submission requirement.
- 11.35. Bidders requesting more information must be sent a tender pack. This should contain the information about the requirement and needs, together with the information required from bidders. This will need to be bespoke in each case but could include, for example:
- Details of pricing;
  - Details of method statements;
  - Details of product characteristics;
  - The evaluation criteria which will be used to evaluate the tenders received, including disclosure of the criteria, sub criteria and weightings that will be applied to select the best Bidder(s).
  - A draft set of terms and conditions.
- 11.36. All bidders in a competition ("Bidders") should be treated in a way which ensures equality of treatment, non-discrimination and transparency, for example:
- All Bidders must be given the same information at the same time, and no Bidder should be treated more favourably than another; and
  - There must be clear and transparent timescales, requirements, specifications and deadlines to comply with any competition.
- 11.37. On approval, quotes should be attached to the Purchase Requisition form.

### **Above £200,000**

- 11.38. Procurement above £200,000 will be managed exclusively by the Procurement Officer and must not be undertaken by academies.
- 11.39. A business case must be produced prior to any expenditure should be considered by the AO and the Chair of the FRC for approval. Once the business case has been reviewed



the CFO or Procurement Officer will notify the Academy on the decision to procure and the most appropriate way to make the purchase.

### Find a tender service

- 11.40. At the end of the transition period (31 December 2020), amendments to the Regulations in relation to the withdrawal of the UK from the EU will come into force. This means that, whilst the framework and principles underlying the public procurement regime (the procurement procedures, financial thresholds, etc.) will not substantially change, contracting authorities will be required to publish public procurement notices for new procurements to the new UK e-notification service, Find a Tender (FTS): <https://www.find-tender.service.gov.uk>
- 11.41. Find a Tender service replaced Tenders Electronic Daily (TED) in the UK public procurement process. UK buyers who previously published OJEU notices on TED should now use the Find a Tender service.

### Tender procedures and periods under the Regulations

Procedures	Standard timescale from publication	Tenders submitted electronically
Open	35 days	5-day reduction can be applied
Restricted	30 days	5-day reduction can be applied
Competitive dialogue	30 days	N/A
Negotiated	30 days	5-day reduction can be applied

- 11.42. Further help is available via the Mills and Reeve Procurement Portal (<https://www.procurementportal.com/resources/procurement-faqs/choosing-a-procedure-under-the-public-contracts-regulations-2015>).

### Forms of Tenders

- 11.43. There are three forms of tender procedure: open, restricted and negotiated, and the circumstances in which each procedure should be used are described below.
- 11.44. **A. Open Tender:** This is where all potential suppliers are invited to tender. The budget holder must discuss and agree with the CFO how best to advertise for supplier's, e.g. general press, trade journals, or to identify all potential suppliers and contact directly if



practical. This is the preferred method of tendering, as it is most conducive to competition and the propriety of public funds.

11.45. **B. Restricted Tender:** This is where suppliers are specifically invited to tender. Restricted tenders are appropriate where:

- there is a need to maintain a balance between the contract value and administrative costs,
- a large number of suppliers would come forward or because the nature of the goods is such that only specific suppliers can be expected to supply the Trust's requirements,
- the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.

11.46. **C. Negotiated Tender:** The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances:

- the above methods have resulted in either no or unacceptable tenders,
- only one or very few suppliers are available,
- extreme urgency exists,
- additional deliveries by the existing supplier are justified.

## Preparation for Tender

11.47. Full consideration should be given to:

- the objective of the project
- overall requirements
- the technical skills required
- after-sales service requirements
- form of contract

11.48. It may be useful after all requirements have been established, to rank requirements (e.g. mandatory, desirable and additional) and award marks to suppliers on fulfilment of these requirements to help reach an overall decision.

## Invitation to Tender

11.49. If a restricted tender is to be used, then an invitation to tender must be issued. If an open tender is used, an invitation to tender may be issued in response to an initial enquiry.

11.50. An invitation to tender should include the following:

- introduction/background to the project;
- scope and objectives of the project;
- technical requirements;



- implementation of the project;
- terms and conditions of tender; and
- form of response.

### Aspects to Consider

- 11.51. Financial: Like should be compared with like, and if a lower price means a reduced service or lower quality, this must be borne in mind when reaching a decision. Care should be taken to ensure that the tender price is the total price and that there are no hidden or extra costs, e.g. power supplies. Is there scope for negotiation?
- 11.52. Technical/Suitability: Qualifications of the contractor. Relevant experience of the contractor. Descriptions of technical and service facilities. Certificates of quality/conformity with standards. Quality control procedures. Details of previous sales and references from past customers.
- 11.53. Other Considerations: Presales demonstrations. After-sales service. Financial status of supplier. Suppliers in financial difficulty may have problems completing contracts and in the provision of after sales-service. It may be appropriate to have an accountant or similarly qualified person examine audited accounts etc.

### Tender Acceptance Procedures

- 11.54. The invitation to tender should state the date and time by which the completed tender document should be received by the Trust. Tenders should be submitted in plain envelopes clearly marked to indicate they contain tender documents. The envelopes should be time and date stamped on receipt and stored in a secure place prior to tender opening. Tenders received after the submission deadline should not normally be accepted.

### Tender Opening Procedures

- 11.55. All tenders submitted should be opened at the same time and the tender details should be recorded. The people that should be present for the opening of tenders are as follows:
- For contracts up to £30,000 - the Head of Academy, CFO, plus a Member of the FRC.
  - For contracts over £30,000 - the AO, CFO, plus at least two Members of the FRC.
- 11.56. A separate record should be established to record the names of the firms submitting tenders and the amount tendered. This record must be signed by those people present at the tender opening.

### Tendering Procedures

- 11.57. The evaluation process should involve at least two people. Those involved should disclose all interests, business and otherwise, that might affect upon their objectivity. If there is a





potential conflict of interest, then that person must withdraw from the tendering process.

- 11.58. Those involved in making a decision must take care not to accept gifts or hospitality from potential suppliers that could compromise or be seen to compromise their independence.
- 11.59. Full records should be kept of all criteria used for evaluation, and for contracts over £30,000, a report should be prepared for the FRC highlighting the relevant issues and recommending a decision. For contracts under £30,000, the decision and criteria should be reported to the FRC.
- 11.60. Where required by the conditions attached to a specific grant from the DfE, the Department's approval must be obtained before the acceptance of a tender.
- 11.61. The accepted tender should be the one that is economically most advantageous to the Trust. All parties should then be informed of the decision.
- 11.62. The CFO must approve the legal terms and conditions of all supplier contracts.

### **Non order purchase**

- 11.63. 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.
- 11.64. Examples of such exceptions include:
- professional services, such as legal fees, supply teachers, recruitment costs
  - utilities
  - student trips
  - insurance
- 11.65. On receipt of non-order invoices, the Finance Department will send the budget holder a non-purchase order requisition to complete, detail why a requisition could not be created prior to the purchase and send to Head of Academy or if a Central Team budget holder to the CFO to approve the invoice for payment.

### **Capital Works**

- 11.66. Capital works are not exempt from any of the above procedure.
- 11.67. All capital projects will have an assigned project manager from the outset who will work collaboratively with the academy and Finance Department.

### **Other expenditure**

- 11.68. Any charitable donations, contributions to social innovation projects, gifts or sponsorship must obtain prior approval from the CFO if the amount is less than £1,000. Where the amount exceeds £1,000 then this must be approved by the Board.



## Audit Trail

- 11.69. A clear audit trail must be kept for all purchases including contracts, regardless of value or duration.
- 11.70. The level of detail required will increase with the value of the procurement. The written record must include:
- Who was responsible for making the decision to procure, and details of their decision-making process;
  - Who was responsible for evaluation of tenders, and details of the evaluation, if applicable;
  - Be available at all times for audit purposes.
  - All purchases must be raised on a purchase order excluding those exceptions referenced in the finance manual.
- 11.71. In each case, the written record must include copies of all original documentation used during the procurement such as tender packs, quotes, contracts and invoices.
- 11.72. This section applies to all contracts, regardless of value or duration.
- 11.73. This handbook puts strict obligations on the Trust to ensure that conflicts of interest in procurement are managed.
- 11.74. Any interest which may affect the outcome of a procurement process must be declared to the CFO immediately, please refer to the related parties section of this handbook.
- 11.75. No gifts or hospitality should be accepted by any service provider as an inducement to award a contract to that supplier. This may be an offence under the provisions of the Bribery Act 2010. This includes free IT equipment. You must inform the CFO immediately on becoming aware of any such gifts or hospitality.

## Monitoring and Compliance

- 11.76. Budget holders will be informed of the budget available to them at the start of the academic year. It is the responsibility of the budget holder to manage the budget, working with the Finance Business Partner, and to ensure that any expenditure is consistent with the objectives of the Trust. A printout detailing actual expenditure against budget will be supplied to each budget holder monthly and budget holders are encouraged to keep their own records of orders placed but not paid for.
- 11.77. The Finance and Resource Committee will receive an annual report on high value transaction procurements and contract awards across the Trust for full oversight.
- 11.78. Non-compliance with this document may lead to disciplinary procedures, this will depend on the nature of the breach; but may include verbal or written warnings. HR guidance supersedes this policy in respect of dealing with breaches of this policy.



## 12. Energy Management

- 12.1. The Trust Estate Managers are responsible for recording, monitoring and analysing water, gas and electricity consumption on a monthly basis. Meters should be checked before authorising any invoices from the utilities providers. Any discrepancies or unusual readings should be raised with the CFO immediately.
- 12.2. The Trust Estate Manager ensures that the school's heating system is operated and run as efficiently as possible.
- 12.3. The Trust Estate Manager ensures that the school is purchasing energy at the most competitive prices available.
- 12.4. All staff always have the responsibility to work in an energy efficient manner (e.g. turning off computers, lights and heating when not required).

## 13. Fixed assets

- 13.1. The Trust will obtain prior approval from 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 financial reporting standards, beyond any limits in the funding agreement for the disposal of assets generally
- 13.2. Other than land, buildings and heritage assets, the Trusts can dispose of other fixed assets without ESFA's approval subject to achieving the best price that can reasonably be obtained, and maintaining the principles of regularity, propriety and value for money.

### Asset Register

- 13.3. The Fixed Asset Register consists of a list of items (or specific group of items purchased within the accounting period) valued over £3,000 that are considered to have a life longer than the financial year in which they were purchased. Capitalised assets are not necessarily bought on one order; so long as a group of items is purchased within the same accounting period they will be capitalised.
- 13.4. Examples of items to include on the asset register include:
  - ICT hardware and software (this list can be combined and used to identify software licences to ensure the school is complying with legislation)
  - Reprographic equipment – photocopiers, comb binders, laminators
  - Office equipment – fax machines, shredders, switchboards
  - Furniture
  - AVA equipment – TVs, video/DVD players, OHPs, cameras, speakers
  - Cleaning equipment – vacuum cleaners, polishers
  - Catering equipment – ovens, fridges, dishwashers, food processors



- Technology equipment – sewing machines, craft machinery
- Premises equipment – lawn mowers, power tools, generators
- Other equipment – musical instruments, PE equipment
- Minibuses

13.5. The asset register should include the following information:

- Asset description
- Asset number
- Date of acquisition
- Asset cost
- Expected useful economic life
- Depreciation
- Current book value
- Location
- Name of Member of staff responsible for the asset

13.6. The asset register helps:

- ensure that staff take responsibility for the safe custody of assets;
- enable independent checks on the safe custody of assets, as a deterrent against theft or misuse;
- to manage the effective utilisation of assets and to plan for their replacement;
- the external auditors to draw conclusions on the annual accounts and the Trust's financial system; and
- to support insurance claims in the event of fire, theft, vandalism or other disasters.

13.7. International Accounting Standard (IAS) 16 defines Fixed Assets as “assets whose future economic benefit is probable to flow into the entity, whose cost can be measured reliably”.

13.8. A Fixed Asset Register is maintained and reconciled to the financial statements of the Trust and is written in accordance with Accounting Standard FRS15 Tangible Fixed Assets.

13.9. This section will be reviewed by the FRC annually.

13.10. Fixed Assets are categorised as follows:

- ICT Equipment
- Other ICT Equipment
- Fixture and Fittings
- Other Fixture and Fittings
- Buildings
- Leasehold Land and Buildings
- Land

13.11. Assets excluded from the Fixed Asset Register are Current Assets. Current Assets include cash and bank balances which are controlled through reconciliation to control accounts on a regular basis.



- 13.12. The appropriate accounting transactions are processed for all capitalised assets and recorded in the Fixed Asset Register. Transactions will be recorded within the Fixed Asset Fund Account in addition to the Balance Sheet.
- 13.13. All ICT items that have been included in the Fixed Asset Register are security marked, where practicable, as the property of the Trust and have an asset number and barcode.
- 13.14. Physical counts are undertaken annually against the Fixed Asset Register for Furniture and Equipment and termly for ICT.
- 13.15. Discrepancies between the physical count and the registers are investigated promptly by the Accountant. Any discrepancies over the value of £500 are reported to the CFO.
- 13.16. All disposals of assets are recorded in the Fixed Asset Register and the appropriate transactions recorded through the financial statements.
- 13.17. All working papers for the purchase of assets, including invoices, are copied and filed in a central record.
- 13.18. Attractive and portable ICT/electronic items of equipment that fall below the capitalisation limit of £3,000 and over £100.00 are security marked and barcoded and recorded on the school asset manager software (e.g. a single digital camera purchased for £250). Asset control is as for the assets held in the Fixed Asset Register.
- 13.19. Non-current Assets are to be depreciated to reflect the recoverable amount in the financial statements, over the useful life of the asset.
- 13.20. The depreciation will be calculated on an annual basis for preparation of the year-end accounts.
- 13.21. A budget can be set within the Fixed Asset Fund to provide an indicative charge for depreciation for the year to the Fixed Asset Fund Account.
- 13.22. Groups of assets will use the same method of depreciation. There may very occasionally be an asset that does not completely fit into one of the categories below, and the FRC will discuss these items on an individual basis.

ICT Equipment	33% straight line
Other ICT Equipment	10% straight line
Fixture & Fittings	20% straight line
Other Fixture & Fittings	10% straight line
Buildings	2% straight line
Land	0% no depreciation is provided on freehold land
Leasehold Buildings	Straight line over the life of the lease

- 13.23. The expected useful life of all assets will be assessed prior to depreciation calculations and recorded in the Fixed Asset Register.



## **Asset Disposal Procedure**

- 13.24. The best possible value will be obtained from the disposal of assets. All assets disposed must obtain approval from the appropriate person outlined in the Trust SoD.
- 13.25. Equipment is not normally disposed of to staff because it is difficult to provide evidence that the Trust obtained value for money in the sale or scrapping of such equipment. If computer equipment is disposed of, licences for software programmes must be legally transferred to the new owner. Pecuniary Interests must always also be considered .
- 13.26. Under the Trust Funding Agreement, the approval of the Secretary of State is required before the sale, or disposal by other means, or reinvestment of the proceeds from the disposal, of an asset (or specific group of assets) for which a capital grant in excess of £20,000 was originally paid.
- 13.27. The Trust agrees to reinvest the proceeds from all asset sales for which a capital grant was received and therefore every effort will be made to maximise the sale of such assets.
- 13.28. If such proceeds are not reinvested, the Trust will repay to the DfE the same proportion of the proceeds of the sale or disposal as equates to the proportion of the original cost met by the Secretary of State (i.e. if the Secretary of State purchased 50% of the original cost of the asset, the Trust agrees to repay 50% of the proceeds).
- 13.29. The proceeds from the sale of assets acquired with a grant from the Secretary of State cannot be used to contribute to further named grant-aided projects or purchases.
- 13.30. All disposals of land must be agreed in advance with the Secretary of State.

## **Security of Assets**

- 13.31. Stores and equipment must be secured by means of physical and other security devices. Only authorised staff may access the stores.
- 13.32. All of the items in the register should be permanently and visibly marked as the Trust's property and there should be a regular (at least annual) count by someone other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to the CFO and ARC
- 13.33. Damaged or stolen Trust assets are also reported. Upon discovery of a theft or destruction, the individual/Department must notify the Head of Academy and/or the police to obtain a crime number. The incident should be investigated promptly and, where significant, reported to the CFO and ARC. Where it has been found that the individual has acted in a negligent way, disciplinary action may be taken.
- 13.34. Inventories of Trust property should be kept up to date and reviewed regularly. Items which are used by the Trust but do not belong to it should be noted.



## Loan of Assets

- 13.35. Items of Trust property (excluding staff laptops, IT equipment, textbooks and other paper-based documents) must not be removed from Trust premises without the authority of the Head of Academy. A record of the loan must be recorded in a loan book and any asset/item/property booked back into the Trust when it is returned.
- 13.36. If assets are on loan for extended periods or to a single Member of staff on a regular basis the situation may give rise to a 'benefit-in-kind' for taxation purposes. Loans should therefore be kept under review and any potential benefits discussed with the Trust's auditors.

## Premises/ Asset Management

- 13.37. Major capital works and long-term building projects, based on annual conditions must obtain prior approval from the FRC.

## 14. Leasing

- 14.1. There are two types of lease:
- finance leases: these are a form of borrowing
  - operating leases: these are not borrowing
- 14.2. The Trusts will obtain ESFA's prior approval for the following leasing transactions:
- taking up a finance lease on any class of asset for any duration from another party
  - taking up a leasehold or tenancy agreement on land or buildings from another party for a term of seven or more years
  - granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party
- 14.3. Other than the above, the Trust does not require ESFA's approval for operating leases.
- 14.4. Approval limits for operating leases is detailed in the Trust SoD.
- 14.5. Trusts will ensure that any lease maintains the principles of value for money, regularity and propriety whether or not ESFA's approval is required. The Trust will seek advice from our professional adviser and/or external auditor if they are in doubt over whether a lease involves borrowing.

## 15. Borrowing

- 15.1. The Trust will obtain 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 will only be used for business expenditure, and balances



cleared before interest accrues.

## 16. Human Resource and Payroll

### Staff appointments and organisational changes

- 16.1. As part of the annual budget process, the Board will approve a staff budget for the Trust and Academies.
- 16.2. All permanent/fixed-term posts (including temporary and agency cover for these posts) can only be recruited to following completion and approval of the 'Recruitment Authorisation Form' by the Executive Team, who must ensure that adequate budgetary provision exists.
- 16.3. The position of Head of Academy will be appointed by the Directors and AO. The AO will also approve all appointments to the Academies Senior Leadership Team.
- 16.4. Where any of these posts have an annual cost of over £100,000, permanent or temporary, Board approval must be obtained.
- 16.5. Any reorganisation involving staff consultation or potential redundancy costs must obtain AO and CFO approval.

### Payroll administration

- 16.6. Payroll is currently outsourced and the approval of the FRC is needed to change any such arrangements.
- 16.7. The Trust has a Pay Policy, and all changes to pay must be consistent with this. Any variations to the Pay Policy require Directors' approval.
- 16.8. The monthly payroll must be reviewed and checked by the HR Department to ensure gross pay is correct and any requested changes actioned. When completed, the monthly academy/central team payroll is approved by the Head of Academy/CFO for payment.
- 16.9. Overall responsibility for the operation of the Payroll Provider rests with the HR Department, who also ensure that the Payroll Provider is informed of any relevant changes in order to ensure accurate payment of salaries, i.e. new starters and leavers, change of personal details, change of terms and conditions to employment, tax code changes and any absence or sickness.

### Payments

- 16.10. All salary payments to staff are made by BACS by the Payroll Provider. The Finance Department are responsible for the payment of the Payroll Provider.





- 16.11. The calculation of gross to net pay is delegated to the Payroll Provider; the HR Department will carry out monthly checks and reconciliations to ensure that the payroll system is operating correctly.
- 16.12. After the payroll has been processed, the nominal ledger will be updated by the Finance Department. Postings will be made to the payroll control account and to individual cost centres and ledger codes in the accounting system. The Finance Department will review the payroll control accounts each month to ensure they have been reconciled.
- 16.13. On an annual basis the Accountant will check a sample of staff across the Trust to ensure that the gross pay per the payroll system agrees to the contract of employment held on the personnel file to ensure that the gross pay per the payroll system agrees to the contract of employment held on the personnel file.
- 16.14. The Finance Department should keep evidence of the employment status test criteria applied, when dealing with payments to individuals. Where an individual has been assessed as self-employed, the Finance Department should request that the individual states their self-employment reference number on any invoice issued to the school.

### **Salary advances**

- 16.15. The Trust does not award salary advances.

### **Overtime**

- 16.16. Overtime is must be preapproved by Head of Academy of CFO. Any overtime must be recorded by the individual on an overtime claim form and submitted for approval by their Line Manager and Head of Academy/CFO. The form will be submitted to the HR Department for payment.
- 16.17. Claim forms must not be submitted prior to work having been undertaken.
- 16.18. No payments for work undertaken will be made other than via the payroll system.

### **Executive pay**

- 16.19. The Board must ensure its decisions about levels of executive pay follow a robust evidence-based process and are reflective of the individual's role and responsibilities. No individual can be involved in deciding his or her remuneration.
- 16.20. The Board must discharge its responsibilities effectively, ensuring its approach to pay is transparent, proportionate and justifiable, including:
- process - that the procedure for determining executive pay is agreed by the Board in advance and documented
  - independence - decisions about executive pay reflect independent and objective scrutiny by the Board and that conflicts of interest are avoided
  - decision-making - factors in determining pay are clear, including whether



performance considerations, and the degree of challenge in the role, have been taken into account

- proportionality – pay is defensible relative to the public sector market
- documentation - the rationale behind the decision-making process, including whether the level of pay reflects value for money, is recorded and retained
- a basic presumption that non-teaching pay should not increase at a faster rate than that of teachers, in individual years and over the longer term
- understanding that inappropriate pay can be challenged by ESFA, particularly in any instance of poor financial management of the Trust.

16.21. The Trust must publish on its website in a separate readily accessible form the number of employees whose benefits exceeded £100k, in £10k bandings, for the previous year ended 31 August. Benefits for this purpose include salary, employers' pension contributions, other taxable benefits and termination payments. Trusts may wish to display this information in a tabular form showing in each column salary, pension etc. Where the academy Trust has entered into an off-payroll arrangement with someone who is not an employee, the amount paid by the Trust for that person's work for the Trust must also be included in the website disclosure where payment exceeds £100k as if they were an employee.

16.22. The Trust is reminded of requirements under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 for organisations with 250 or more employees to publish information on their website and on the government's reporting website about the gender pay gap in their organisation.

### **Tax arrangements for senior employees**

16.23. The Trust must ensure that its senior employees' payroll arrangements fully meet their tax obligations and comply with HM Treasury's guidance about the employment and contract arrangements of individuals on the avoidance of tax. This is set out in HM Treasury's Review of the Tax Arrangements of Public Sector Appointees. Failure to comply with these requirements can result in a fine by HM Treasury.

### **Special staff severance payments**

16.24. Severance payments up to £50,000 must be approved by the AO. Severance payments over £50,000 require Directors' and ESFA approval.

16.25. If the Trust considers making a staff severance payment above statutory or contractual entitlements, it will consider the following issues before making a binding commitment:

- that the proposed payment is 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, 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, a settlement should not be offered

- if the settlement is justified, the Trust would need to consider the level of settlement. This must be less than the legal assessment of what the relevant body (e.g. an employment tribunal) is likely to award.

- 16.26. 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 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.
- 16.27. The Trust has delegated authority to approve individual staff severance payments provided any non-statutory/non-contractual element is under £50,000 gross (i.e. before income tax or other deductions). Where the Trust is considering a non-statutory/non-contractual payment of £50,000 or more, (gross, before deductions), ESFA's approval must be obtained before the Trust makes any binding offer to staff. ESFA will also need to refer such transactions to HM Treasury and so Trust should allow sufficient time for proposals to be considered.
- 16.28. A severance payment is made from the public purse and therefore value for money will be demonstrated by applying the same level of scrutiny to a payment under £50,000 as if it were over the £50,000 delegation.
- 16.29. The Trust will have a business case for any non-contractual severance payment and will provide this to ESFA in a timely manner if requested.
- 16.30. Additionally, in accordance with HM Treasury's Guidance on Public Sector Exit Payments, academy Trusts must obtain prior ESFA approval before making a staff severance payment where:
- an exit package which includes a special severance payment is at, or above, £100,000; and/or
  - the employee earns over £150,000.

## Confidentiality clause

- 16.31. The Trust will ensure that the use of confidentiality clauses associated with staff severance payments do not prevent an individual's right to make disclosures in the public interest (whistleblowing) under the Public Interest Disclosure Act 1998.

## Ex gratia payments

- 16.32. Ex gratia, transactions will always be referred to ESFA for approval. HM Treasury approval may also be needed. If the Trust has any doubt about a proposed transaction, they will seek ESFA advice.



## Compensation payments

- 16.33. When 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 value for money.
- 16.34. The Trust has delegated authority to approve individual compensation payments provided any non-statutory/non-contractual element under £50,000. Where the Trust is considering a non-statutory/non-contractual payment of £50,000 or more ESFA's approval will be obtained. ESFA will refer such transactions to HM Treasury.
- 16.35. The Trusts should consider whether cases reveal concerns about the effectiveness of internal control systems and take steps to correct failings.

## Travel and Subsistence Claims

- 16.36. Travel costs in excess of the normal home-to-work journey will be reimbursed for training and other business purposes. This will be equivalent to the cost of public transport or a mileage allowance (at the max rate approved by HMRC), whichever is the lower.
- 16.37. All expenses claims will be authorised by the budget holder and the Head of Academy and then submitted to the Finance Department.
- 16.38. For business involving overnight accommodation, costs will be reimbursed on the completion of the appropriate claim form and presentation of receipts for claims made. Every effort will be made to ensure value for money is achieved.
- 16.39. Staff, Members, Directors and Associates may claim reimbursement for reasonable expenses incurred wholly, necessarily and exclusively in the course of the Trust's business. These may arise from attending meetings, training or conferences, or purchases made on the Trust's behalf. Any purchase made on behalf of the Trust must be approved by the budget holder prior to purchase.
- 16.40. It is essential that Inland Revenue regulations are complied with and therefore this policy must be adhered to when making an expense claim.
- 16.41. Claiming expenses
- Payments for the personal expenditure made by any Members of the organisation must be made using an Expenses Claim Form.
  - The purchase of classroom equipment and items must be completed using the purchase ordering system and paid for directly by the school. A Staff Expenses Claim Form will not be used for reclaiming the cost of such purchases.
  - Individuals should make reasonable efforts to get the best value possible when purchasing items, food or travel tickets.
  - Supporting documents are required as evidence, such as original VAT receipts and invoices, and these must be attached to the Expenses Claim Form.

- Claim forms must be approved and signed by the budget holder.
- Claims submitted over a month after the expense was incurred may not be paid.
- Claims, which do not meet approval, will not be processed and will be returned.
- Approved expenses will be sent to Finance Department who will check that the claim form has been completed correctly with evidence, any issues will delay in payment, where claim forms will be sent back to the claimant.
- The submission of false claims will be treated as a serious matter and may lead to disciplinary action.
- Claims by the Head of Academy must be authorised by the AO.
- Claims by the AO must be authorised by the Chair of the Board.
- Claims by Members, Directors and Associates must be authorised by the Chair of the FRC, the AO and the Company Secretary.

16.42. Claims adhering to the procedures in this policy will be paid without the deduction of income tax. However, it is the claimant's responsibility to ensure payment for any due tax is made.

16.43. Travel expenses

- Claims for mileage exclude ordinary commuting, including weekends, evenings, holidays etc. (Commuting refers to one journey each way from home to work and work to home on normal/contractual working days and will not be reimbursed.)
- Payment for mileage will be paid at the appropriate HMRC rate (currently up to 45p per mile for the first 10,000 miles per annum and 25p for each business mile thereafter). The rate is paid irrespective of the fuel type or capacity of the car.
- Individuals are encouraged to car share where possible.
- If an individual starts/ends their journey at their home, and the distance travelled is less than the distance that would have been travelled had they started/ended at their usual place of work, the lesser distance will be paid.
- The date of, reason for, starting point and destination of the journey should all be shown on the Mileage Claim Form.
- Claims submitted over a month after the expense was incurred may not be paid.
- Parking fines or speeding fines will never be reimbursed.

16.44. Vehicle insurance

- The Trust does provide car insurance for staff using their own vehicles for occasional business use. Terms and conditions apply please check with the Finance Department for details.
- Individuals are responsible for ensuring they are appropriately insured prior to travel.
- Individuals must also ensure that the car is safe and legal to drive.

16.45. Use of public transport

- The use of public transport for eligible journeys will be reimbursed upon receipt, provided the expenses are reasonable.



- Individuals should use the most economical class of travel. Generally, standard or economy class. However, in order to support work productivity, the Trust will allow first class travel that does not exceed £200 for a return journey.
- The Trust will not pay for the travel of any accompanying person, unless their attendance is required as a representative of the Trust or the staff Member requires assistance by means of reasonable adjustments.

16.46. Subsistence Allowances

- Subsistence allowances may be claimed for meals purchased by staff required to work at a location ten miles or more away from their home or the workplace. No reimbursement will be made for an activity or visit where the staff Member will normally have provided their own lunch, e.g. school trips and residential visits.
- Reasonable expenses for the cost of accommodation, food and drink will be reimbursed when supported by receipts. Dinner expenses will only be reimbursed to a maximum value of £20.
- Only the cost of accommodation required for business purposes will be reimbursed by the Trust. The Trust will not meet the costs incurred by additional parties or accommodation provided to a spouse or other family Members.
- Personal items, such as alcoholic drinks, mini bars etc. will not be reimbursed and their total should be deducted from any bills submitted for expenses purposes.
- "Staying with Friends" Allowance: If an employee chooses to stay with friends or relatives instead of in a hotel, no allowance will be claimed.

16.47. Telephone and Mobile Expenses

- Business calls made from a home telephone may be reimbursed subject to provision of an itemised telephone bill and their inclusion on the Staff Expenses Claim Form.
- Calls from personal mobile phones made for business purposes may be reimbursed subject to provision of evidence of the calls being attached to the Staff Expenses Claim Form.
- Line or equipment rental will not be reimbursed.

## Directors expenses

16.48. All Directors of this Trust are entitled to claim the actual costs, which they incur as follows:

- childcare or baby-sitting allowances (excluding payments to a current/former spouse or partner)
- cost of care arrangements for an elderly or dependent relative (excluding payments to a current/former spouse or partner)
- the extra costs they incur in performing their duties either because they have special needs or because English is not their first language
- the cost of travel relating only to travel to meetings/training courses at a rate of 45 pence per mile which does not exceed the specified rates for school personnel



- travel and subsistence costs, payable at the current rates specified by the Secretary of State for the Environment, Transport and the Regions, associated with attending national meetings or training events, unless these costs can be claimed from the any other source
- telephone charges, photocopying, stationery, postage etc.
- any other justifiable allowances

16.49. The Board acknowledges that:

- Directors are not being paid attendance allowance
- Directors are not reimbursed for loss of earnings

16.50. Directors wishing to make claims under these arrangements, must complete a claim form together with the relevant receipts. The form must be submitted to the Finance Department within two weeks of the date when the cost was incurred, when they will be submitted for approval by the Chair of Directors or Chair of FRC to be presented to the FRC for final approval.

16.51. Claims will be subject to independent audit and may be investigated by the Chair of Directors (or Chair of FRC in respect of the Chair of Governors) if they appear excessive or inconsistent.

## **Whistleblowing**

16.52. The Trust and Board are committed to the highest possible standards of honesty and integrity, and we expect all staff to maintain these standards [in accordance with our Code of Conduct]. However, all organisations face the risk of things going wrong from time to time, or of unknowingly harbouring illegal or unethical conduct. A culture of openness and accountability is essential in order to prevent such situations occurring or to address them when they do occur.

16.53. There is a detailed whistleblowing procedure which can be found in the staff handbook.

## **17. Fraud**

17.1. The Trust aims to be an honest and ethical institution. As such, it is opposed to fraud and seeks to eliminate fraud by the way it conducts business. In order to minimise the risk and impact of fraud, the Trust's objectives are, firstly, to create a culture which deters fraudulent activity, encourages its prevention and promotes its detection and reporting and, secondly, to identify and document its response to cases of fraud and corrupt practices.



17.2. In order to achieve these objectives, FMAT has taken the following steps:

- The development and publication of a formal statement of its expectations on standards of personal conduct, propriety and accountability;
- The establishment of adequate and effective systems of internal financial and management control (and a clear requirement to comply with them), and an independent External Audit Check function with an ongoing responsibility to review and report on these systems;
- The development and publication of a formal statement of the procedures to be followed by employees who have a suspicion of, or concern about, possible or actual malpractice within the Trust and a fraud response plan which sets out the Trust's policies and procedures to be invoked following the reporting of possible fraud or the discovery of actual fraud.

## Personal Conduct

17.3. The Trust aims to promote an organisational culture, which encourages the prevention of fraud by raising awareness of the need for high standards of personal conduct. To help ensure that all employees are fully aware of Trust's expectations regarding standards of personal conduct, appropriate guidance is provided in the following key statements:

- these regulations are binding on all Directors, Trust Associates, Members of staff, students and constituent parts of the Trust. Refusal to observe them will constitute grounds for disciplinary action.
- in disbursing and accounting for all funds, the Trust must demonstrate that it is adopting high standards of financial probity. Implicit within this regime is the requirement that Directors, Trust Associates and employees of the Trust must at all times conduct financial affairs in an ethical manner.
- all Members of staff, Directors and Directors of the Trust are responsible for disclosing any personal, financial or beneficial interest in any transaction with respect to the Trust or its related companies, minority interest companies and trading areas.
- any person who is responsible for placing an order with a supplier (whether a contractor or not) with whom he has a personal interest must disclose this to the Head of Academy or the CFO.
- Directors, Trust Associates or employees of the Trust shall never use their office or employment for personal gain and must at all times act in good faith with regard to the Trust's interests.
- Heads of Department/Budget Holders are always expected to adhere to the Financial Regulations and to use their best efforts to prevent misuse or misappropriation of funds and other Trust property.

17.4. Taken together, these requirements represent a statement of the framework within which Directors and employees are expected to conduct themselves. These requirements will also be stated within the Staff Handbook which will be issued to all Members of staff and which will also include a statement of the disciplinary consequences if they are not complied with.





## Systems of Internal Control

- 17.5. The next line of defence against fraud is the establishment of operational systems which incorporate adequate and effective internal controls designed to minimise the incidence of fraud, limit its impact and ensure its prompt detection. These controls include high-level management controls such as budgetary control (designed to identify fraud which results in shortfalls in income or overspending against expenditure) and organisational controls such as separation of duties, internal checks and staff supervision. Personnel policies are also a key part of setting the culture and deterring fraud. This includes seeking to reduce the risk of employing dishonest staff by checking information supplied by employees and references obtained during the course of the recruitment process, including DBS checks.
- 17.6. The general framework of responsibilities for financial management and the policies relating to the broad control and management of the Trust are documented in this document. This document is issued and updated periodically by the CFO. It is binding on all Directors, Trust Associates, Members of staff, students and constituent parts of the Trust and is distributed to the Head of Academy, the Senior Leadership Team, Heads of Department and staff in the Finance Department.
- 17.7. The Trust has also established the ARC and an independent External Audit Check function which provides advice to management in respect of control matters and which conducts a cyclical programme of reviews of the adequacy and effectiveness of the systems which have been put in place (including those intended to minimise the potential exposure to fraud and corruption).

## Fraud Response

- 17.8. The Trust's Whistle Blowing Policy ensures that all allegations and reports of fraud or dishonesty are properly followed-up are considered in a consistent and fair manner and that prompt and effective action is taken to:
- minimise the risk of any subsequent losses;
  - reduce any adverse operational effects;
  - improve the likelihood and scale of recoveries;
  - demonstrate that the Trust retains control of its affairs in a crisis; and
  - make a clear statement to employees and others that it is not a soft target for attempted fraud.
- 17.9. The policy includes specific steps to be taken when circumstances dictate and as necessary in order to reduce the following risks:
- inadequate communication so that action is late or inappropriate;
  - lack of leadership and control so that investigators are not properly directed and waste time and effort;
  - failure to react fast enough so that further losses are incurred or the evidence required for successful recovery or prosecution is lost;



- adverse publicity which could affect confidence in the Trust; and
- creation of an environment which, because it is perceived as being ill-prepared, increases the risk of fraud.

17.10. The main of the Whistleblowing Policy and are outlined below:

- All Directors, Trust Associates, Members of staff, students and constituent parts of the Trust are required to notify immediately the Head of Academy and/or the AO/CFO of any financial irregularity, or any circumstance suggesting the possibility of irregularity, affecting the financial procedures, cash, stores or other property of the Trust. The Head of Academy and/or Finance Manager should bring this to the attention of the AO or CFO, who will report it to the Chair of the FRC immediately.
- The Head of Academy/Finance Manager will ascertain whether the suspicions aroused have substance. He/she will, if appropriate, conduct a preliminary investigation to gather information and reach an initial view as to whether further action is required. The findings, conclusions and any recommendations arising from the preliminary investigation will be reported to the AO or CFO, who will report them to the Chair of the FRC.
- The Head of Academy will have the initial responsibility for coordinating the individual Trust's response. In doing this, he/she will consult with the Trust's Human Resources Advisor regarding potential employment issues. The Head of Academy will also seek expert legal advice from the Trust's Legal Advisor on both employment and litigation issues before taking any further action.
- The Head of Academy is required to notify the AO or CFO of any serious financial irregularity. This action will be taken at the first opportunity following the completion of the initial investigations and will involve, inter alia, keeping the Chair of the Board fully informed between committee meetings of any developments relating to serious control weaknesses, fraud or major accounting breakdowns. The AO or CFO will report these to the Chair of the FRC.
- If evidence of a fraud is forthcoming, then the Board will inform the DfE as required by the Funding Agreement and will consider whether to refer the matter to the police.

17.11. The Trust must notify ESFA, as soon as possible, of any instances of fraud, theft and/or irregularity exceeding £5,000 individually, or £5,000 cumulatively in any Trust financial year. Any unusual or systematic fraud, regardless of value, must also be reported. The following information is required:

- 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 if not why)
- whether insurance or the RPA have offset any loss

## Cybercrime

17.12. Academy Trusts must also be aware of the risk of cybercrime, put in place proportionate



controls and take appropriate action where a cyber security incident has occurred.

- 17.13. Trusts must obtain permission from ESFA to pay any cyber ransom demands. ESFA supports the National Crime Agency's recommendation not to encourage, endorse, or condone the payment of ransom demands. Payment of ransoms has no guarantee of restoring access or services and is likely to result in repeat incidents.

## 18. Related Parties

### Trading with related parties

- 18.1. The Trust will be even-handed in their relationships with related parties by ensuring that:
- Directors comply with their statutory duties as Directors to avoid conflicts of interest, not to accept benefits from third parties, and to declare interest in proposed transactions or arrangements
  - all Members, Directors, local governors of academies and senior employees will complete the register of interests.
  - no Member, Director, local governor, employee or related individual or organisation uses their connection to the Trust for personal gain, including payment under terms that are preferential to those that would be offered to an individual or organisation with no connection to the Trust
  - there are no payments to any Director by the Trust unless permitted by the articles, or by authority from the Charity Commission, and comply with any relevant agreement with the Secretary of State. The Trust will consider these obligations where payments are made to other business entities who employ the Director, are owned by the Director, or in which the Director holds a controlling interest
  - the Charity Commission's approval is obtained where the Trust believes a significant advantage exists in paying a Director for acting as a Director
  - any payment provided to a person referred to in the 'at cost requirements' paragraph satisfy the 'at cost' requirements in this handbook.
- 18.2. When looking at Directors' expenses and payments the Trust will have due regard to the Charity Commission's guidance for Directors CC11: Director expenses and payments.
- 18.3. The Board will ensure requirements for managing related party transactions are applied across the Trust. The chair of the Board and the AO will ensure their capacity to control and influence does not conflict with these requirements. They will manage personal relationships with related parties to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with the seven principles of public life.
- 18.4. Trusts will recognise that some relationships with related parties may attract greater public scrutiny, such as:
- transactions with individuals in a position of control and influence, including the chair of the Board and the AO

- payments to organisations with a profit motive, as opposed to those in the public or voluntary sectors
  - relationships with external auditors beyond their duty to deliver a statutory audit
- 18.5. The Trust will keep sufficient records, and make sufficient disclosures in their annual accounts, to show that transactions with these parties, and all other related parties, have been conducted in accordance with the high standards of accountability and transparency required within the public sector.

### **Reporting of related party transactions to ESFA**

- 18.6. From 1 April 2019, the Trusts will report all transactions with related parties to ESFA in advance of the transaction-taking place, using ESFA's on-line form.

### **Approval of related party transactions by ESFA**

- 18.7. The Trust will obtain ESFA's approval for transactions with related parties that are novel, contentious and/or repercussive. Trusts will carefully consider the impact of this requirement and its relevance to transactions involving the chair of the Board and the AO.
- 18.8. From 1 April 2018 the Trust will obtain ESFA's prior approval, using ESFA's on-line form, for contracts for the supply of goods or services to the Trust by a related party where any of the following limits arise:
- a contract exceeding £20,000
  - a contract of any value that would take the total value of contracts with the related party beyond £20,000 in the same financial year ending 31 August
  - a contract of any value if there have been contracts exceeding £20,000 individually or cumulatively with the related party in the same financial year ending 31 August.
- 18.9. For the purposes of reporting to, and approval by, ESFA, transactions with related parties do not include salaries and other payments made by the Trust to a person under a contract of employment through the Trust's payroll.

### **Register of interests**

- 18.10. It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from the decisions they make. To avoid any misunderstanding that might arise, all of the Trust's Directors, Associates, senior leadership staff and budget holders are required to declare any financial interests they have in companies or individuals from whom the Trust may purchase goods or services. The register is open to public inspection.
- 18.11. The existence of a register of business interests does not detract from the duties of Director and staff to declare interests whenever relevant to matters being discussed by the Board

or a Committee. Where an interest has been declared, Director and staff should not attend that part of the meeting.

- 18.12. The Trust's register of interests must capture relevant business and pecuniary interests of Members, Directors, local governors of academies and senior employees, including:
- Directorships, partnerships and employments with businesses
  - Directorships and governorships at other educational institutions and charities
  - for each interest: the name of the business; the nature of the business; the nature of the interest; and the date the interest began
- 18.13. The register must identify any relevant material interests from close family relationships between the Trust's Members, Directors or local governors. It must also identify relevant material interests arising from close family relationships between those individuals and employees. 'Close family relationships' is defined in 'at cost requirements' paragraph (third point).
- 18.14. The Board will consider whether any other interests should be registered annually and the register of interests will be kept up-to-date.
- 18.15. The Trust will publish on the websites the relevant business and pecuniary interests of Members, Directors, local governors and AO. Trusts have discretion over the publication of interests of any other individual named on the register. The Charity Commission offers guidance in *Manage a conflict of interest in your charity* and CC29: *Conflicts of interest: a guide for charity Directors*.

## 19. Trading with connected parties

### At cost requirements

- 19.1. Subject to sections 277 to 279 a Trust must pay no more than 'cost' for goods or services provided to it by the following persons ('services' do not include contracts of employment):
- any Member or Director of the Trust
  - any individual or organisation related to a Member or Director of the Trust. For these purposes the following persons are related to a Member, or Director:
  - a relative of the Member or Director. A relative is defined as a close Member of the family, or Member of the same household, who may be expected to influence, or be influenced by, the person. This includes, but is not limited to, a child, parent, spouse or civil partner
  - an individual or organisation carrying on business in partnership with the Member, Director or a relative of the Member or Director
  - a company in which a Member or the relative of a Member (taken separately or together), and/or a Director or the relative of a Director (taken separately or together), holds more than 20% of the share capital or is entitled to exercise more

than 20% of the voting power at any general meeting of that company

- an organisation which is controlled by a Member or the relative of a Member (acting separately or together), and/or a Director or the relative of a Director (acting separately or together). For these purposes an organisation is controlled by an individual or organisation if that individual or organisation is able to secure that the affairs of the body are conducted in accordance with the individual's or organisation's wishes
- any individual or organisation given the right under the Trust's articles of association to appoint a Member or Director of the Trust; or anybody connected to such individual or organisation
- any individual or organisation recognised by the Secretary of State as a sponsor of the Trust; or anybody connected to such individual or organisation

19.2. A body is connected to another individual or organisation if it is controlled by the individual or organisation, or controls the organisation, or is under common control with the individual or organisation. For these purposes, control means:

- holding more than 20% of the share capital (or equivalent interest), or
- having the equivalent right to control management decisions of the body, or
- having the right to appoint or remove a majority of the Board or governing body

19.3. The 'at cost' requirement does not apply to the Trust's employees unless they are also one of the parties described in point 3 of the 'at cost requirements' paragraph.

19.4. While these provisions do not apply to contracts of employment, the same principles of securing value for money and using public money properly, including managing conflicts of interest, still apply. Salaries should be appropriate to the individual's skills and experience and to rates in the wider market.

19.5. Should any staff/personnel of an individual or organisation in the 'at cost requirements' paragraph be based in, or work from the premises of, the Trust, that individual/organisation and the Trust must agree an appropriate sum to be paid to the Trust for such use/occupation of the premises, save to the extent that they are carrying out work for the Trust.

19.6. The 'at cost' requirement applies to contracts for goods and services from a related party agreed on or after 7 November 2013.

19.7. The 'at cost' requirement applies to contracts for goods and services from a related party exceeding £2,500, cumulatively, in any one financial year. For these purposes, where a contract takes the Trust's cumulative annual total with the related party beyond £2,500, the element above £2,500 must be at no more than cost.

19.8. 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 Director of the Trust but not in other cases for those organisations. The



published ethical standards for auditors also prevent partners or employees of the audit firm from acting as a Director of their client Trust, but not of other Trusts.

- 19.9. The Trust must ensure that any agreement with an individual or organisation referred to in the 'at cost requirements' paragraph to supply goods or services to the Trust is properly procured through an open and fair process and is:
- supported by a statement of assurance from that individual or organisation to the Trust confirming their charges do not exceed the cost of the goods or services, and
  - on the basis of an open book agreement including a requirement for the supplier to demonstrate clearly, if requested, that their charges do not exceed the cost of supply
- 19.10. For these purposes, the cost will be the 'full cost' of all the resources used in supplying the goods or services, and must not include any profit. Full cost includes:
- all direct costs (the costs of any materials and labour used directly in producing the goods or services)
  - indirect costs (a proportionate and reasonable share of fixed and variable overheads)

## **Goods and services for private use**

- 19.11. No goods are ordered, or services provided to include any elements of private use by Directors and staff.

## **20. Gifts and hospitality**

- 20.1. As a general guideline, business gifts and hospitality should not be accepted by any Member of staff, except as provided for below.
- 20.2. The intention of this policy is to ensure that the Trust can demonstrate that no undue influence has been applied or could be said to have been applied by any supplier or anyone else dealing with the Trust. The Trust should be able to show that all decisions are reached on the basis only of value for money and for no other reason. Any consideration of whether or not the principles of this policy have been breached will be determined by reference to this principle.
- 20.3. Any breach of this policy could lead to disciplinary action and may constitute gross misconduct.
- 20.4. Employees shall not use their authority or office for personal gain and shall seek to uphold and enhance the standing of the Trust by:
- maintaining an unimpeachable standard of honesty and integrity in all their business relationships;
  - complying with the letter and spirit of the law, and contractual obligations,



rejecting any business practice that might be deemed improper;

- at all times in their business relationships acting to maintain the interests and good reputation of the Trust.
- 20.5. Any employee who becomes aware of a breach of policy must report this immediately to their line manager, who will instigate investigations as necessary.
- 20.6. Any personal interest that may impinge on or might reasonably be deemed by others to impinge on an employee's impartiality or conflict with the duty owed to the Trust in any matter relevant to an employee's duties (such as conflicting business interests) should be declared in writing. Any Member of staff who is aware of any business dealings conferring personal gain or involving relatives or associates of Members of staff must supply details of such transactions to the Finance Department for entry into the Pecuniary Interests Register.
- 20.7. Employees are permitted to accept gifts, rewards or benefits from Members of the public or organisations with which the Trust has official contacts only where they are isolated gifts of a trivial character or inexpensive seasonal gifts (such as diaries or calendars). Gifts should not therefore be accepted if they appear to be disproportionately generous or could be construed as an inducement to affect a business decision. Exceptions are small gifts received as 'thank-you' tokens from students, parents, line managers, for example at Christmas/end of term.
- 20.8. Where purchased items include a "free gift", such a gift should be either used for Trust business or handed to the Trust for general use.
- 20.9. Conventional hospitality (lunches, outings, tickets for events, etc.) is acceptable provided that it is normal and reasonable in the circumstances. Such invitations should not therefore be accepted where there is no reasonable business justification for doing so, where an invitation is disproportionately generous, or where the invitation could be seen as an inducement to affect a business decision.
- 20.10. Any hospitality other than of a nominal value (£30) or facilities provided during the normal course of business should be reported to the CFO to include details of the following:
- Who the gift is from;
  - Date the gift is received;
  - Details of the gift;
  - Action taken (whether the gift is retained or refused or passed on, etc.), for entry into the Gifts in Kind Log Sheet (which can be found in the Finance Department).





## 21. Annual audited accounts

### Annual accounts

- 21.1. The Academy Trust must prepare annual audited financial statements for the accounting period to 31 August in line with the Charity Commission's Statement of Recommended Practice (SORP) and ESFA's Accounts Direction.
- 21.2. The ESFA's accounting Officer will send a 'Dear Accounting Officer' letter annually to the AO who will share it with the Members, Directors, CFO and senior leadership teams. The Board will discuss it and take action if necessary, to strengthen the Trust's financial controls.
- 21.3. The accounts are outsourced to our auditors for preparation.
- 21.4. The audited accounts must be:
- submitted to the ESFA by 31 December
  - published on Trust website by 31 January
  - filed with Companies House by 31 May
  - provided to every Member
  - provided to anyone who requests a copy

### Appointment of external auditors

- 21.5. Under the Companies Act 2006, academy Trusts must appoint an auditor to give an opinion on whether their annual accounts present a true and fair view of the Trust's financial performance and position (appointment being by the Members, other than where the Companies Act permits the Trustees to appoint – for example for the Trust's first period of account). Trusts should retender their external audit contract at least every five years and must consider the relevant points in 43 when evaluating.
- 21.6. The external auditors are appointed by the Board. The audit contract will be in writing. This letter of engagement will only cover the external audit. Any additional services purchased will have a separate letter of engagement specifying the requirements of the work and the fee.

### Removal of external auditors

- 21.7. The letter of engagement will provide for the removal of auditors, before the expiry of the term of office, in exceptional circumstances. Proposals to remove auditors will require a majority vote of the Members who must provide reasons for their decision to the Board. There must be a requirement in the letter of engagement for the auditors to provide the Trust with an explanation if the auditors resign, within 14 days of their resignation.
- 21.8. The Board will notify ESFA immediately of the removal or resignation of the auditors. For removal, the Trust will notify ESFA of the reasons for the removal. For resignation, the Trust



will copy to ESFA a statement of explanation from the auditors. A change in auditor at the expiry of their agreed term of office does not require notification to ESFA.

### **Accounting Officer's statement**

21.9. An Accounting Officer's statement on regularity, propriety and compliance will be included in the Trust's annual accounts. This is a declaration by the Accounting Officer that they have met their responsibilities to Parliament for the resources under their control during the year. It will include responsibility to ensure:

- efficient and effective use of resources (value for money)
- public money is spent for the purposes intended by Parliament (regularity)
- appropriate standards of conduct, behaviour and corporate governance are maintained (propriety)

21.10. The format of the statement will be in line with the ESFA's Accounts Direction. The Accounting Officer is responsible to advise the Board of Directors and ESFA of instances of irregularity or impropriety, or non-compliance with the funding agreement or handbook.

### **Auditor's review of regularity**

21.11. A review of the Accounting Officer's statement will be included within the remit of Trusts' External Auditors. The auditor's conclusions on regularity will be addressed jointly to the Trust and to ESFA.

21.12. The CFO is responsible for managing the audit process, by liaising with the auditors, arranging the timetable for accounts and audit completion and ensuring deadlines are met.

### **Work undertaken during the accounting period**

21.13. The CFO is responsible for ensuring that the following tasks are undertaken during the year to facilitate a smooth audit process:

- review the structure of the trial balance
- maintaining a fixed asset register
- yearly depreciation charges
- maintaining income and expenditure records (including filing of invoices)
- reviewing aged debtors for any provisions required
- maintaining a record of Directors interests, related and connected party transactions
- control account reconciliations (bank, wages, debtors, creditors)
- maintaining a record of meeting attendance
- monitoring & reporting to the AO, FRC, ARC and Board



## Work undertaken for the year end

- 21.14. The CFO is responsible for the following tasks to be undertaken at the end of the year to facilitate a smooth audit process:
- prepayments
  - prepayments or accruals for grant income
  - control account reconciliations (bank, wages, debtors, creditors)
  - close down of the purchase ledgers and aged creditors
  - close down of the Sales ledgers and aged debtors
  - pension valuations
  - pension Audit

## 22. Accounting system

- 22.1. All the financial transactions of the Trust must be recorded into PSF Financials the computerised financial information accounting system. This system is operated by the Finance Department.

### System Access

- 22.2. Access to the system is authorised by the CFO and is password restricted. New users will need to change their password when their sign into the system for the first time.
- 22.3. The CFO has implemented a system, which ensures that passwords are changed every 30 days.

### Back-up Procedures

- 22.4. PS Financial is hosted in the cloud, as part of this service they provide a disaster recovery plan and full back up procedures.

### Transaction processing

- 22.5. All transactions inputted to the accounting system must be authorised in accordance with the procedures specified in this handbook.
- 22.6. All journal entries are documented on the journal form and authorised by the appropriate Accountant lead prior to being input to the accounting system.
- 22.7. Bank transactions are input by the Finance Department and reviewed by CFO.

### Transaction reports

- 22.8. The CFO reviews the following system reports to ensure that only regular transactions are posted to the accounting system:
- Period end adjustment sheet



- Period end checklist
- Management accounts summarising expenditure and income against budget at budget holder level and Trust level

## Reconciliations

- 22.9. The CFO is responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared for all control accounts.
- 22.10. The CFO signs all reconciliations as evidence of review.
- 22.11. Any unusual or long outstanding reconciling items are brought to the attention of CFO and dealt with according to the bad debt limits in this handbook.

## Novel, contentious and repercussive transactions

- 22.12. Novel, contentious and/or repercussive transactions must always be referred to ESFA for prior approval. ESFA may refer such transactions to HM Treasury for approval, so Trusts should allow sufficient time for proposals to be considered.
- Novel transactions are those of which the Trust has no experience or are outside its range of normal business.
  - Contentious transactions are those that might cause criticism of the Trust by Parliament, the public 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.

## 23. Internal scrutiny

### Internal control principles

- 23.1. Internal scrutiny must:
- be independent and objective – for example it must not be performed by the Trust's own accounting officer, chief financial officer or other Members of the senior leadership or finance team
  - be conducted by someone suitably qualified and experienced and able to draw on technical expertise as required
  - be covered by a scheme of work, driven and agreed by the audit and risk committee, and informed by risk
  - be timely, with the programme of work spread appropriately over the year so higher risk areas are reviewed in good time
  - include regular updates to the audit and risk committee by the person(s) or organisation(s) carrying out the programme of work, incorporating:
  - a report of the work to each audit and risk committee meeting, including recommendations where appropriate to enhance financial and non-financial controls and risk management

- an annual summary report to the audit and risk committee for each year ended 31 August outlining the areas reviewed, key findings, recommendations and conclusions, to help the committee consider actions and assess year on year progress.

23.2. The Trust has established a robust control framework that includes:

- ensuring delegated financial authorities are complied with
- maintaining appropriate segregation of duties
- co-ordinating the planning and budgeting process
- applying discipline in financial management, including managing debtors, creditors, cash flow and monthly bank reconciliations
- planning and oversight of any capital projects
- management and oversight of assets
- regularity, propriety and value for money in the organisation's activities
- reducing the risk of fraud and theft
- independent checking of financial controls, systems, transactions and risks

### **Independent checking procedures**

23.3. An Internal Auditor is appointed by the Board as recommended by the ARC and provide Directors with independent oversight of the financial affairs. The main duties of the internal auditor is to provide the Board with independent assurance that:

- the financial responsibilities of the Board are being properly discharged;
- resources are being managed in an efficient, economical and effective manner;
- sound systems of internal financial control are being maintained and financial considerations are fully considered when reaching decisions; and
- risks are identified and appropriate actions put in place.

23.4. The internal auditor is to undertake a regular programme of reviews to ensure that the financial transactions have been properly processed and that controls are operating effectively. A report of the findings from each visit will be provided to the ARC for review.

23.5. Where ESFA has concerns about financial management and/or governance in an academy Trust it may issue, and publish, a Notice to Improve (Ntl). The Trust must comply with the Ntl. Failure to comply will be deemed a funding agreement breach. The funding agreement may be terminated due to non-compliance with a Ntl.

23.6. An Ntl sets out what the Trust must do to address concerns about financial management or governance. For example, an Ntl may be issued where there is an actual or projected deficit, cash flow problems, risk of insolvency, irregular use of public funds, or inadequate governance and management (including weak oversight by Directors, poor internal scrutiny and breaches of requirements over related parties).

23.7. If an Ntl is issued then some delegated authorities in the Academes Trust Handbook are revoked, and all transactions of this nature must be approved in advance by ESFA. The



Trust may also be prevented from entering into any transactions with related parties without approval. These delegated authorities shall be returned once the Ntl has been complied with, and improvement is sustainable.

- 23.8. Where ESFA has concerns about financial management and/or governance at an academy Trust, it may wish to obtain from third parties information or documentation about the Trust which ESFA considers relevant for the purposes of its investigation. Academy Trusts must provide ESFA with written authority giving permission for any third party to provide such information and documentation to ESFA or its agents on request of ESFA.
- 23.9. Where ESFA intervenes because of concerns about financial management and/or governance it may require the Trust to submit additional information such as monthly income and expenditure accounts, cash flow statements and balance sheets.