



# Finance Policy

## 2023-24

### Key Changes from 22-23:

- 1.1 Update legislation reference - 1.1
- 1.2 Changes to new staffing process for Headteachers – 2.6
- 1.3 Add additional process in budget setting for Sept review of staffing – 3.1
- 1.4 Replace balanced with agreed budget – 3.5
- 1.5 Included reference to “Value for Money” form – 7.11
- 1.6 Credit Cards extended to include prepaid foreign currency cards – 10.9
- 1.7 Payroll – Head Teacher Sign Off – 17.7
- 1.8 Auditors – re-tendering – wording change to reflect latest process – 22.2
- 1.9 New paragraph regarding Schools services purchased centrally – 7.2a

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**Date of next review:** July 24

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## **Statement of intent**

Individuals within the Trust must be able to demonstrate that they do not personally benefit from their decisions with regards to the spending of public money. To ensure that the financial standing of the Trust cannot be brought into disrepute, this policy will be implemented by **all** academies within the Trust. This will also provide consistency in financial procedures across the academies.

This policy applies to all employees in the Trust, as well as services and goods sourced from external agencies, such as contractors and caterers.

The Trust takes its responsibility for handling public funds with the utmost importance and strives to provide a high-quality education and safe learning environment, whilst having a strong financial standing.

## **1 Legal framework**

1.1 This policy has due regard to legislation and statutory guidance, including, but not limited to, the following:

- The Employment Relations Act 1999 & 2004
- Companies Act 2006
- The Education (School Teachers' Appraisal) (England) Regulations 2012 (as amended)
- ESFA 'Academy Trust Handbook'

1.2 This policy operates in conjunction with the following policies:

- Staff Pay Policy
- Charging and Remissions Policy

## **2 Roles and responsibilities**

2.1 The Trust's Members are responsible for:

- Appointing the Trust's auditors and receiving the Trust's audited annual accounts.
- Conducting the business of the Trust in accordance with company and charity law and adhering to the Trust's funding agreement with the Secretary of State.

2.2 The Trust's Board of Directors is responsible for:

- Applying the highest standards of governance and taking full ownership of their duties.
- Overseeing the financial performance of the Trust.
- Ensuring that the Trust's practices reflect the 'seven principles of public life' (selflessness, integrity, objectivity, accountability, openness, honesty, and leadership).
- Ensuring that funds are received according to the academies funding agreement and are used only for the purposes intended.
- Ensuring the Trust complies with any financial notices to improve issued to it by the ESFA.
- Approving the annual budget, consolidated budget, central budget, and each academy's budget.
- Ensuring that their decisions about levels of executive pay follow a robust evidence-based process and are reflective of the individual's role and responsibilities.
- Overseeing the financial performance of the organisation and making sure its money is well spent.
- Approving the Trust's three-year financial plan.
- Ensuring an appropriate scheme of delegation is in place.
- Ensuring assets are effectively managed.
- Monitoring financial efficiency.
- Making decisions regarding use of reserves.

- Authorising Estates Management, SCA, PSDS and DFC strategy.
- Regularly monitoring expenditure and income against the budget.
- Ensuring appropriate insurance arrangements are in place for the Trust.
- Writing off bad debts over £500.
- Authorising the disposal of assets over £5,000.
- Authorising contracts over £50,000.
- Ensuring accurate accounting records are maintained.
- Approving the response to the Auditor's Management Letter.
- Approving severance and compensation payments up to £50,000, after which they must seek the ESFA's approval.
- Appointing, in writing, a CEO who will be appointed as a Director.
- Appointing an appropriate Accounting Officer that is the CEO.
- Appointing a CFO.
- Referring to the competency framework for governance to determine if any skills gaps are apparent and taking steps to mitigate these.
- Referring and adhering to the six features of effective governance as set out in the 'Governance Handbook'.
- Reviewing internal and external audit reports on the effectiveness of the financial procedures and controls of the Trust.
- Approval and implementation of appropriate accounting policies.
- Ensuring an appropriate framework of internal financial controls is established.
- Ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 2006 and related ESFA guidance.
- Proposing the Trust's financial statements, the Director's annual report and the response to the Auditor's Management Letter.

The Board of Directors undertake these responsibilities through meetings of the full Board and meetings of the Board's committees:

- Finance Committee.
- Audit and Risk Committee.
- Pay and remuneration Committee.

2.3 The Accounting Officer is responsible for:

- Sharing the ESFA's 'Dear Accounting Officer' letter with the Members, Directors, the CFO, and other members of the Leadership Team, arranging for it to be discussed by the Board of Directors and acting, where appropriate, to strengthen the Trust's financial systems and controls.
- Achieving value for money and the best possible educational outcomes through the economic, efficient, and effective use of resources.
- Ensuring regularity when dealing with items of income and expenditure in accordance with legislation, the terms of the Trust's funding agreement and the 'Academy Trust Handbook' (ATH), and with the Trust's internal procedures.

- Ensuring propriety with regards to expenditure and receipts, including standards of conduct, behaviour, and corporate governance.
- Completing and signing a statement of regularity, propriety, and compliance each year and submitting this to the ESFA with the audited accounts.
- The Trust's financial affairs.
- Keeping full and accurate financial records.
- Approving purchases of goods and services and contracts with the CFO between £25,001 and £50,000.
- The management of opportunities and risks.
- Assuring the Board of Directors that the Trust is compliant with the ATH and the funding agreement.
- Informing the Board of Directors, in writing, of any action or policy under consideration that is incompatible with the terms of the articles of association, funding agreement or the ATH.
- Informing the ESFA, in writing, where they have advised the Board of Directors that they are in breach of the articles of association, funding agreement or ATH but the Board has continued with their actions.
- Signing documentation to authorise new central service and Headteacher staff appointments and amendments to their contracts, in line with agreed Trust procedures.

#### 2.4 The CFO is responsible for:

- Acting as the principal finance officer for the Trust.
- Ensuring that the Trust's financial position is managed at a strategic level within the framework for financial control determined by the Board of Directors.
- Leading and advising on the strategic financial health and efficiency of the Trust.
- Ensuring that all financial matters focus on the wider needs of the Trust, rather than on any individual academy.
- Working with Educator Solutions or other appointed body to provide internal audit assurance to the Board of Directors.
- Ensuring the Directors report and annual accounts are properly presented and adequately supported by the underlying books and records of the Trust.
- Challenging staff to ensure that value for money is routinely obtained.
- Ensuring effective financial policies are in place across the Trust.
- Acting as an authorised signatory of the Trust bank accounts.
- Ensuring that forms and returns for the Trust are sent in line with statutory timeframes.
- Approving purchases and contracts with the CEO between £25,001 and £50,000.
- Liaising with the Headteacher for each academy regarding financial matters as required, with the Chief Financial Management Officer.

2.5 The Local Governing Bodies are responsible for:

- Receiving the draft and approved budget for their academy.
- Ensuring that any grants are used for the purposes intended.
- Monitoring the actual income and expenditure against the approved budget for their academy, in order that they can make informed strategic decisions.

2.6 The Headteacher of each academy is responsible for:

- Ensuring budgetary control within approved budgets.
- Approving purchases and contracts less than £10,000 (Primary and Junior Schools) or £20,000 (High Schools) (or authorised school budget holder).
- Signing documentation to authorise new staff appointments and amendments to staff contracts, in line with agreed Trust procedures, and where necessary in conjunction with Trust Primary or Secondary Leads.
- Authorising the disposal of assets of net book value less than £5,000 and ensuring the Trust Finance team is advised.

2.7 Each academy is responsible for:

- Managing day-to-day financial issues.
- Support the CFO with delivering the financial strategy for the Trust.
- Maintaining effective internal controls.
- Maintaining financial records as required by the Trust Finance team.
- Ensuring that Purchase Orders are raised prior to ordering goods/services, wherever possible, to aid effective budget monitoring and management.
- Monitoring the budget monthly, complying with Trust guidance and timescales.
- Acting as an authorised signatory for the purpose of certifying employee claims, subject to appropriate authority.
- Ensuring that proper checks and controls are in place to cover day-to-day activities in accordance with the finance policy and procedures.
- Liaising with the central finance team in respect of any queries, and ensuring data is prepared within agreed timescales.
- Cash handling. All cash and cheques must be banked on a regular basis and security of any cash and cheques held on the premises must be always maintained.
- Trip accounting including holding monies and authorising any subsidies.

### **3 Budget setting**

3.1 The budget planning process is managed by the Chief Financial Management Officer and follows an annual planning cycle consisting of the following five phases:

- Spring 2: Planning to prepare a draft 3-year budget plan
- Summer 1: Prepare draft 3-year budget plan in consultation with Headteachers
- Summer 2: Finalising and presentation of 3-year budget plan to Board of Directors for approval and submission to ESFA

- Autumn 1: Review and update staffing plan replacing vacancies with appointments
  - End of October onwards: Monthly budget monitoring against approved budget plan and forecast outturn.
  - Ongoing basis: Review of long-term budget sustainability.
- 3.2 The budget process takes the following elements into account:
- Forecasts of likely pupil numbers to estimate the amount of DfE grant available.
  - Review of other income sources.
  - Review of past performance against budgets.
  - Review of financial KPIs and long-term financial sustainability.
  - An annual review of expenditure headings to reflect known changes and expected variations in costs.
  - An annual review centrally of pay increases, pension rates, inflation, or other anticipated changes.
- 3.3 When reviewing and approving budgets for the Trust, the Board of Directors ensures that:
- Budget forecasts for the current year and beyond are compiled accurately, based on realistic assumptions, and are reflective of lessons learned from previous years.
  - Pupil number estimates are challenged and that these underpin revenue projections.
  - An integrated approach to curriculum and financial planning is taken.
- 3.4 Each academy within the Trust will have an independent budget which will be monitored by the Headteacher.
- 3.5 A **agreed** budget for the forthcoming financial year will be approved by the Board of Directors, and this approval will be minuted.
- 3.6 The annual budget will reflect the best estimate of the resources available to the Trust for the forthcoming year and will detail how those resources will be utilised to support the objectives identified in school development plans.
- 3.7 Financial plans are prepared for the Trust and each of the academies in the Trust covering a three-year period.
- 3.8 Once budgets are approved, this will be communicated to all responsible budget holders to ensure they are aware of the overall budgetary constraints.
- 3.9 The Board of Directors will notify the ESFA within 14 days of proposing to set a deficit revenue budget.

#### **4 Budget Management and Monitoring**

- 4.1 Headteachers are responsible for monitoring income and expenditure in their academy throughout the year.
- 4.2 The CFO will prepare monthly management accounts, setting out the Trust's financial performance and position. The accounts will be shared with the Chair of Directors every month and with other Directors at least six times a year.

- 4.3 Finance Reports will be provided to Directors at least 7 days prior to the relevant Board meeting.
- 4.4 The Board of Directors will consider the management accounts when it meets and will ensure appropriate action is being taken to maintain financial viability.
- 4.5 The Board of Directors will select key financial performance indicators and measure its budget planning against them.
- 4.6 Any potential overspend against the overall budget of the academy will be discussed between the Headteacher and CFO.
- 4.7 The monitoring process will be effective and timely in highlighting variances in the budget so that differences can be investigated, and action taken where appropriate.
- 4.8 The Board of Directors will monitor the quality of the financial information presented to them to ensure that what is provided remains appropriate, particularly in terms of its timing, level of detail and narrative.
- 4.9 The Trust will submit the following returns to the ESFA by the required dates:
  - A three-year budget forecast returnThe returns will be approved by the Board of Directors before submission to the ESFA.
- 4.10 Where the Board of Directors has concerns about the Trust's financial performance, it will consider whether additional financial reporting is required.

## **5 Reserves**

### **Capital**

- 5.1 The Trust will carry a prudent level of resources designed to meet the long-term cyclical needs of renewal and any other unforeseen contingencies, subject to the constraint that the level of resources does not exceed the level permitted by the ESFA.
- 5.2 The Trust works within the constraints as detailed in the Academy Trust Handbook to maximise the value of its public funding. Directors need to be mindful of the Trust's growth plan, particularly in relation to the receipt of a School Condition Allocation (SCA) to deploy across the estate. Where funding for programmes has time limits for achieving expenditure, any grant left unspent is at risk of clawback.
- 5.3 The Estates Manager will propose a capital reserve schedule to the Directors, identifying the need to replace or improve assets and the related sums required. The Directors will agree the value of capital reserves to be created in a year as part of the budget approval process.
- 5.4 Spend of the capital reserve fund should only occur with approval of the Directors.

### **Revenue**

- 5.5 The Trust requires a revenue reserve to be created to fund future expenditure related to the Trust's strategic long-term aims and developments. The Trust will maintain prudent reserves from its General Annual Grant (GAG) funding or other income.

## **6 Cash management**

- 6.1 The Trust has robust procedures in place to manage its cash position and will avoid becoming overdrawn.
- 6.2 The CFO will prepare cash flow forecasts to ensure that the Trust has sufficient funds available to cover day-to-day operations.
- 6.3 When producing cash flow forecasts, if significant balances can be foreseen, the Trust will consider investment of the surplus funds, subject to approval by the Board of Directors.
- 6.4 The procurement of goods and services using the Trust's credit cards will be kept to a minimum and monitored by the CFO. Such purchases must follow the identified Purchase Order process.

## 7 Purchasing, procurement and returns

- 7.1 All academies within the Trust will act in accordance with the Trust's tendering and procurement arrangements detailed below.
- 7.2 The central Finance team maintains a list of suppliers. Academies will be informed if one of these suppliers should no longer be used.

In order to achieve best value for money, and to promote the aims of the trust, some services may be procured centrally, but charged to schools budgets. This will be undertaken by central team staff and notified to schools.

- 7.3 An accepted tender will be the one that is economically most advantageous, unless it can be demonstrated that this is not the best option for the Trust and other factors outweigh any monetary savings. Accepted tenders will therefore provide best value. When accepting a tender that is not economically most advantageous, clear documentation relating to the decision will be kept.
- 7.4 To maintain integrity concerning the use of public funds, the following general principles will be adhered to:
  - **Probity** – It must be demonstrable that there is no corruption or private gain involved in the contractual relationships of the Trust.
  - **Accountability** – The Trust is publicly accountable for its expenditure and the conduct of its affairs.
  - **Fairness** – All tenders dealt with by the Trust are done so fairly and equally.
- 7.5 There are three forms of tender procedure: Open, Restricted and Negotiated.
  - Open tenders are where potential suppliers are invited to tender. The Chief Financial Management Officer will agree how best to advertise for suppliers.
  - Restricted tenders refer to where suppliers are specifically invited to tender. This method is appropriate where:
    - There is a need to maintain a balance between the contract value and administrative costs.
    - A large number of suppliers are likely to register an interest.
    - The nature of the goods means 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.

- Negotiated tenders mean that the terms of the contract may be negotiated with one or more chosen suppliers. This method is appropriate where:
    - Other tender methods have resulted in either no or unacceptable tenders.
    - Only one or very few suppliers are available.
    - Extreme urgency exists.
    - Additional deliveries by existing suppliers are justified.
- 7.6 When preparing for tender, full consideration will be given to the objectives of the project, the overall requirements regarding the technical skills necessary and after sales service requirements.
- 7.7 The tender evaluation process will involve at least two people who will disclose any conflicts of interest.
- 7.8 Full records will be kept of all the criteria used for evaluation.
- 7.9 The Trust will aim to achieve the best possible value for money for all its purchases, ensuring that services are delivered in the most economical, efficient, and effective way.
- 7.10 The Headteacher of each academy is responsible for ensuring best value when authorising orders.
- 7.11 Where the value of an order is over £7,500, the requisition must be accompanied with three written quotes, to identify best value and/or a completed Value for money form.
- 7.12 The CEO and CFO are collectively responsible for approving purchases and contracts between £25,001 and £50,000 for the Trust.
- 7.13 Goods or services ordered with a value of £50,000 or more, or for a series of contracts which in total exceed £50,000, are subject to formal tendering procedures, unless otherwise agreed by the Board of Directors.
- 7.14 Purchases of goods and services and contracts over £50,000 will be authorised by the Board of Directors.

## **8 Income and expenditure**

- 8.1 The main source of income for the Trust and its academies is through the grants received from the ESFA.
- 8.2 The central finance team monitors the receipt of grants, ensuring that all grants due to the academies within the Trust are appropriately collected.

## **9 Investments**

- 9.1 Where the Board of Directors wishes to make investments to further the Trust's charitable aims, it will ensure that investment risks are properly managed.
- 9.2 When considering an investment, the Board will:
- Act within its powers to invest as set out in the articles of association.
  - Ensure value for money.
  - Take advice from professional advisers where appropriate.
  - Ensure that exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximisation.
  - Ensure investment decisions are in the best interests of the Trust.

## 10 Schedule of freedoms and delegations

### 10.1 Novel, contentious and repercussive

- Novel, contentious, and repercussive transactions - ESFA agreement required.

### 10.2 Special payments

- Staff severance and compensation - ESFA agreement required if £50,000 or more before tax.
- Ex gratia payments - ESFA agreement required.

### 10.3 Write-offs and liabilities (subject to £250,000 ceiling)

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

ESFA consent required if these exceed: 1% of annual income or £45,000 individually; or 2.5% or 5% of annual income cumulatively.

### 10.4 Acquisition and disposal of fixed assets

- Acquiring freehold land/buildings - ESFA agreement required.
- Disposing of a freehold on land/buildings - ESFA agreement required.
- Disposing of heritage assets - ESFA agreement required.
- Other disposals - Trust has full discretion.

### 10.5 Leasing [Leasing guidance for academy trusts - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

- Taking up a finance lease – ESFA agreement required.
- Taking up an operating lease – No ESFA agreement required - Trust has full discretion.

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

- Taking up a finance lease on any asset for any duration from another party, which are subject to the borrowing restrictions
- 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.

### 10.6 GAG carry forward

- No limits.

### 10.7 Pooling by Trusts

- No limits (except PFI).

### 10.8 Borrowing

- Bank or sponsor loan, overdraft - ESFA agreement required.

### 10.9 Credit cards and Pre-Loaded Foreign Currency Cards (for business use)

- Trust has full discretion provided interest charges not incurred.

### 10.10 Related party transactions

- Supplies to the Trust from related parties - ESFA agreement required over £20,000 and over associated limits.

#### 10.11 Summary of purchasing authorities and requirements:

- Purchases of “**goods and services**” and “**contracts**” up to £10,000 (Primary) or £20,000 (Secondary) - Comparison of costs where applicable, school budget holder approval.
- Purchase of “**goods and services**” and “**contracts**” between £10,001(Primary) and £20,001 (Secondary) and £25,000 - With 3 quotes for comparison of costs – Central Finance
  - Purchase of “**goods and services**” and “**contracts**” between £25,000 and £50,000 - With 3 quotes for comparison of costs – CFO & CEO
- Purchases of “**goods and services**” and “**contracts**” over £50,000 - Formal tender and approval by Trust Board.

### 11 Borrowing

- 11.1 Approval will be obtained from the ESFA before borrowing from any source, where such borrowing will be repaid from grant monies or secured on assets funded by grant monies.
- 11.2 Credit cards will only be used for business expenditure and managed by the finance team. Any employee authorised to use a credit card will sign to say that they accept the terms and conditions of use and will return expenses and receipts promptly each month.
- 11.3 Credit card balances will be cleared before any interest accrues.

### 12 Debt

- 12.1 The Trust will disclose aggregate figures for transactions of any amount and separate disclosure for individual transactions above £5,000 in its audited accounts for writing off debts and losses, as well as guarantees, letters of comfort and indemnities.
- 12.2 The Trust will contact parties of any outstanding debts owed after 30 days of the due date.
- 12.3 If, after a final reminder is sent, payment is not received in full, the CFO will send a letter informing them that if they do not receive payment within 14 days then they will refer the matter to a small claims court.
- 12.4 The Trust will keep accurate records of the debt process, including:
- Logging invoices and receipts on the Trust’s accounting system.
  - Keeping emails of payment notifications, ensuring each email clearly states the number of the reminder and the date it was sent.

### 13 Fixed assets - Capitalisation, Depreciation and Disposal

- 13.1 The Trust will apply this policy for tangible fixed assets to ensure that the Trust’s Balance Sheet correctly reflects their net book value (NBV). The policy defines the treatment of tangible fixed or non-current assets.

#### Fixed Asset Register

- 13.2 The fixed asset register consists of a list of items purchased within an accounting period valued over £5,000 that are considered to have a useful economic life (UEL) of more than one year. This threshold applies to single items only except for ICT assets which are grouped. Fixed assets are categorised as follows:

- A Land and Buildings
- B Plant and Machinery

C Furniture, Fixtures and Fittings

D Computer Equipment

E Vehicles

- 13.3 Any items that meet the definition of a fixed asset but are below the £5,000 capitalisation threshold, and are considered to be portable, valuable and desirable, shall be included on a separate inventory.
- 13.4 Transactions relating to the Fixed Asset Register will be recorded on the Trust's balance sheet and within the financial management accounting system.
- 13.5 The Fixed Asset Register should be reconciled at least annually to ensure accountability.
- 13.6 Any discrepancies between any physical count and the register will be reported to the Trust's Finance Committee at the next available meeting.
- 13.7 All disposals of assets are recorded in the Fixed Asset Register.
- 13.8 All accounting documentation for the purchase of assets is recorded.

### **Depreciation**

- 13.9 Fixed assets are to be depreciated to reflect the recoverable amount in the financial statements, over the useful life of the asset.
- 13.10 Assets under construction are not depreciated, because depreciation is appropriate only when assets are in operational use.
- 13.11 Depreciation will be charged as a minimum on an annual basis for preparation of the year end accounts. If deemed appropriate it may also be charged monthly for the management accounts. Regardless of the frequency, the depreciation charge will be calculated.
- 13.12 Groups of assets will use the same method of depreciation. The Trust has determined the following depreciation rates, asset life and methods:

<b>Description</b>	<b>Useful Life</b>
Long term leasehold land	Over the life of the lease
Long term leasehold buildings	2% straight line
Freehold Buildings	2% straight line
Furniture and equipment	20% straight line
Computer Equipment	33% straight line
Motor Vehicles	25% straight line

- 13.13 If the useful life of the asset is determined to be significantly different to the time scales above, this will be reported to the Finance Committee for a decision on the appropriate rate to apply to that particular asset.

### **Disposals**

- 13.14 The Trust will obtain approval from the ESFA for the following transactions:
- Acquiring a freehold of land or buildings.
  - Disposing of a freehold of land or buildings.
  - Disposing of heritage assets, as defined in financial reporting standards, beyond any limits in the Trust's funding agreement for the disposal of assets generally.
- 13.15 Other than the transactions outlined in 13.14, the Trust does not need the ESFA's approval to dispose of any other fixed assets.
- 13.16 Any disposal will maintain the principles of value for money, regularity, and propriety. This may involve public sale where the assets have a residual value.

13.17 Items which are to be disposed of by sale or destruction must be authorised for disposal by the Trust and, where significant, should be sold following competitive tender.

13.18 Disposal of equipment to staff is not encouraged, as it may be more difficult to evidence the Trust obtained value for money in any sale or scrapping of equipment.

#### **14 Leasing**

14.1 For the purpose of this policy, there are two types of lease:

- Finance lease - A form of borrowing
- Operating lease - Not a form of borrowing

14.2 The Trust will obtain approval from the ESFA for the following lease 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 Any lease will maintain the principles of value for money, regularity and propriety.

#### **15 Gifts**

15.1 Staff may not accept gifts above the monetary value of £30.

15.2 The decision to make gifts will be documented and have regard to propriety and regularity.

15.3 Acceptance of gifts, hospitality, awards, prizes, and any other benefit that might be seen to compromise the judgement or integrity of the Trust should be avoided.

15.4 Any gift, hospitality, award, or prize accepted, in excess of £30, must be recorded in the academy's gift register and advised to the CFO annually.

15.5 Gifts cannot be made to employees from public funds.

#### **16 Related party transactions**

16.1 The Trust will be even-handed in their relationships with related parties by ensuring:

- Compliance with their statutory duties to avoid conflicts of interest, benefits are not accepted from third parties, and interests in proposed transactions or arrangements are declared.
- A register of interests has been completed.
- No Member of the Trust uses their connection to the Trust for personal gain.
- All payments are permitted by the articles of association or by authority from the Charity Commission.
- The Charity Commission approves payments to a Director where there is a significant advantage to the Trust.

16.2 The Board of Directors will ensure procedures pertaining to related party transactions are applied across the Trust.

16.3 The Board of Directors and Accounting Officer 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.

- 16.4 The Chair of Directors and the Accounting Officer will ensure their capacity to control and influence does not conflict with requirements.
- 16.5 The Trust recognises that some relationships with related parties may attract greater public scrutiny, such as the following:
- Transactions with individuals in a position of control and influence, including the Chair of Directors and the Accounting Officer.
  - 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.
- 16.6 The Trust will keep up-to-date records and make sufficient disclosures in their annual accounts to show accordance with the high standards of accountability and transparency required within the public sector.
- 16.7 The Trust will report all related party transactions made on or after 1 April 2019 to the ESFA in advance of the transaction taking place.
- 16.8 The Trust will obtain approval from the ESFA for related party transactions that are novel, contentious and/or repercussive.
- 16.9 The Trust will obtain approval from the ESFA for contracts for the supply of goods or services to the Trust by a related party agreed on or after 1 April 2019, where any of the following limits apply:
- The contract exceeds £20,000.
  - The contract, regardless of the value, would exceed £20,000 in the same financial year ending 31 August.
  - The contract, regardless of the value, would exceed £20,000 individually or cumulatively with the related party in the same financial year ending 31 August.
- 16.10 For the purpose of reporting to, and approval by, the ESFA, related party transactions do not include salaries and other payments made by the Trust to a person under a contract of employment through the Trust's payroll.
- 16.11 All business and pecuniary interests will be recorded on the Register of Interests, 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.
- 16.12 The Register of Interests will identify any relevant material interests from close family relationships between the Trust's Members, Directors, or local governors. Relevant material interests arising from close family relationships between these individuals and employees will also be identified.
- 16.13 The Register of Interests will be reviewed annually, ensuring all information is up-to-date and amended when any new interests are declared.

16.14 The relevant business and pecuniary interests of Members, Directors, local governors, and the Accounting Officer will be published on the Trust's website.

16.15 'At cost' requirements - The Trust will not pay more than 'cost' for goods or services provided by the following:

- Any Member or Director of the Trust
- Any individual or organisation related to a Member or Director of the Trust, namely:
  - A relative of a Member or Director: 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 conducting 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 percent of the share capital or is entitled to exercise more than 20 percent 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) – 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 the individual or organisation.
  - Any individual or organisation recognised by the Secretary of State as a sponsor of the Trust, or anybody connected to the individual or organisation.

16.16 A body is connected to an individual or organisation if it is controlled by the individual or organisation, controls the organisation, or is under common control with the individual or organisation, namely any of the following:

- Holding a greater than 20 percent capital share or equivalent interest.
- Having the equivalent right to control management decisions of the body.
- Having the right to appoint or remove a majority of the Board or governing body.

16.17 'At cost' requirements do not apply to the Trust's employees unless they are employed by one of the parties outlined above.

16.18 'At cost' requirements apply to contracts for goods and services from a related party agreed on or after 7 November 2013.

- 16.19 'At cost' requirements apply to contracts for goods and services from a related party exceeding £2,500, cumulatively, in any one financial year. 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.
- 16.20 If any of the parties outlined in 15.16 are based in, or work from, the Trust's premises, the Trust will agree an appropriate sum to be paid to the Trust for use of the premises, unless the party is conducting work on behalf of the Trust.
- 16.21 'At cost' requirements apply to legal advice or audit services when the organisation's partner directly managing the service is a Member or Director of the Trust, but not in other cases.
- 16.22 The Trust will ensure that any agreement with an individual or organisation referred to in 15.17 is procured through an open and fair process and is:
- Supported by a statement of assurance from the individual or organisation to the Trust confirming their charges do not exceed the cost of the goods or services.
  - 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.
- 16.23 The cost will be the full cost of all the resources used in supplying the goods or services and will 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.

## **17 Payroll**

- 17.1 Payroll forms the largest element of the budget and it is, therefore, essential that financial procedures and internal controls in relation to payroll are properly implemented.
- 17.2 All payroll transactions relating to Trust staff, permanent or casual, will be processed through the payroll system including staff expense claims. Payments for employment will not be made through any other mechanism. The Trust will not make any payment for the purchase of alcohol for any reason, including gifts or expenses.
- 17.3 Each academy within the Trust will act in accordance with the Pay Policy.
- 17.4 Payroll is notified of any staff absence using the absence recording system.
- 17.5 The HR manager and HR staff are responsible for ensuring that:
- Payments are made only to bona fide employees.
  - Payments are in accordance with individuals' conditions of employment.
  - Payments are made only in respect of services provided to the school/Trust.
  - Amendments to the payroll are properly authorised and processed.
- 17.6 The HR manager and HR staff in conjunction with the Trust's outsourced payroll provider, are responsible for keeping the staff payroll database up to date via the designated recording system. This will include the following information about staff members:
- Salary.
  - Bank account details.

- Taxation status.
- Personal details.
- Any deductions or allowances payable.

17.7 Payroll is monitored and reviewed monthly by the CFO to ensure any changes have been implemented correctly and the information is up to date. Head Teachers are required to sign off the draft payroll reports each month to confirm any changes are reflected, except when the sign off date is within a school holiday.

17.8 Information about the gender pay gap in the Trust is published on the Trust's website.

## **18 Charging and remissions**

18.1 Each academy will act in accordance with the Trust's Charging and Remissions Policy at all times.

## **19 VAT procedures**

19.1 The Trust is entitled to reclaim VAT on qualifying purposes through a monthly VAT return.

19.2 Under legislation, VAT claims can be made on expenditure which supports the Trust's core business purposes.

19.3 Where invoices relate partly to business activity and partly to non-business activity, only the proportion of the VAT relating to the non-business activity will be reclaimed.

## **20 Special payments**

20.1 For the purpose of this policy, special payments include:

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

20.2 Where the Trust considers making a staff severance payment above statutory or contractual entitlements, the following factors will be considered prior to making the commitment:

- The proposed payment is in the interest of the Trust.
- The payment is justified, based on legal assessment of the chances the Trust will successfully defend the case at employment tribunal.
- The level of settlement is less than the legal assessment of what the relevant body will award.

20.3 Under no circumstances will the Trust make severance payments where the money could be interpreted as a reward for insubordination or failure.

20.4 For severance payments greater than £50,000, the Trust will seek approval from the ESFA. The ESFA will refer the transaction to HM Treasury so the Trust will allow sufficient time for this to be considered.

20.5 Value for money will be shown for all severance payments.

20.6 Compensation payments will take account of the facts of the matter ensuring value for money is achieved.

20.7 For compensation greater than £50,000, approval from the ESFA will be sought.

20.8 The Trust will consider whether cases reveal concerns pertaining to the effectiveness of internal control.

20.9 Ex gratia payments will always be referred to the ESFA for approval.

## **21 Annual accounts**

21.1 The Trust will maintain accounting records and prepare an annual report and audited accounts in line with the Charity Commission's Statement of Recommended Practice and the ESFA's Accounts Direction.

21.2 The audited accounts will be:

- Submitted to the ESFA by 31 December each year.
- Published on the Trust's website by 31 January.
- Filed with Companies House in accordance with company law requirements, usually by 31 May.
- Provided to anyone who requests a copy.

## **22 Auditing**

22.1 Internal auditing

- Internal scrutiny will be conducted within the Trust, alongside the work of an external auditor. Areas for internal scrutiny will be determined by the Audit and Risk Committee, based on the Risk Register and external audit reports. Internal scrutiny outcomes will be reported to the Audit and Risk Committee and will inform the Accounting Officer's statement on regularity, propriety, and compliance.
- The Trust will ensure that an internal audit is completed to manage risk and to check controls; the results of the audit will inform the Accounting Officer's statement on regularity, propriety, and compliance.

22.2 External auditing

- The Trust will appoint an external auditor to certify whether its annual accounts present a true and fair view of the Trust's financial performance and position.
- The contract with the external auditor will be in writing and be accompanied by a letter of engagement that only covers the details of the external audit including the requirements of the DfE.
- The letter of engagement will also include details of the removal of external auditors, before the expiry of the term of office, in exceptional circumstances. The Trust will re-tender the external audit contract at least every five years. This was most recently done in April 2023, and will consider the relevant points specified in the ATH.
- The Board of Directors will notify the ESFA immediately of the removal or resignation of the auditors.
- The Accounting Officer will produce a statement on regularity, propriety, and compliance and this will be included in the Trust's annual accounts.
- The statement on regularity, propriety and compliance will include a responsibility to ensure that:

- There is efficient and effective use of resources in their charge.
- Public money is spent for the purposes intended by parliament.
- Appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under their control.
- The Trust will respond promptly, reasonably and appropriately to any findings by the auditors.
- The DfE will be informed within 14 days if the Trust appoints or terminates the contract of:
  - An Accounting Officer or CFO, including their contact information.
  - A Chair of Directors.
  - A Member, Director, or governor.

## **23 Record keeping**

23.1 All financial transactions of the Trust are recorded including, but not limited to, the following:

- Purchases and tenders.
- Returns.
- Payroll.
- Cash flow.
- Income and expenditures.
- VAT returns.

23.2 The CFO is responsible for keeping up-to-date records of the Trust's financial state.

## **24 Whistleblowing and fraud**

24.1 The Trust puts proportionate controls in place to mitigate the risks of fraud, theft and irregularity.

24.2 Incidents of fraud are increasing significantly across the education sector and staff should be aware of potential risks as a result of fraudulent activity, particularly in relation to suspicious emails and correspondence.

24.3 Where instances of fraud, theft or irregularity are suspected or identified, the Board of Directors will investigate it promptly and should any evidence of fraud be found, they will take appropriate action. Any fraud must be recorded in the fraud register.

24.4 In any instance of fraud, theft, or irregularity whereby the amount defrauded comes to a total exceeding £5,000 in a financial year, the Board of Directors will report it to the ESFA as soon as they become aware of it.

When reporting to the ESFA on instances of fraud, theft or irregularity, the academy will include the following information:

- Full details of the event(s) with all key dates.
- The financial value of the loss.
- The measures taken by the Trust to prevent recurrence.
- Whether the matter was referred to the police and if not, the reasons why.
- Whether the insurance or the risk protection agreement have offset any loss.

24.5 The CFO or CEO will be responsible for the initial enquiries of fraud, theft, or irregularity - They will then pass on their findings to the Board of Directors for further inspection.

24.6 The Board of Directors will:

- Allocate responsibility for damage limitation action.
- Determine the course of action to recover losses.
- Determine the course of action to be taken against the perpetrator.
- Evaluate the events which enabled the fraud to occur.
- Ensure preventative action is taken to prevent recurrence.
- Report any excessive fraud (over £5,000) to the ESFA.

24.7 All concerns raised by whistle blowers are responded to properly and fairly in line with the Whistleblowing Policy, which is available on the Trust's website and intranet.