



DOWMAT FINANCIAL HANDBOOK

2020-2021

MAT Board Approval:

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Review Date:

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Member of Staff Responsible:

Mrs Claire Rushton

Our Vision

'To Love, To Learn, To Serve' sums up the DoWMAT's vision for those who come together to create the MAT, enabling all to flourish both as individuals and in community with each other; living life in all its fullness (John 10:10).



Our Values

To Love

The New Testament sums up the entire law as a call to “love your neighbour as yourself” (Galatians 5:14). The Bible teaches that we are only able to love because God first loved us (1 John 4:10). This love is expected to characterise the way in which the DoWMAT operates, makes decisions, builds relationships, and carries out its day-to-day business: each person putting the needs of others before their own, with a commitment to the flourishing of all. The exposition of love in 1 Corinthians 13 reminds us that love is patient, kind, forgiving, generous, humble, trusting, respectful, hopeful, resilient and enduring. Those who learn and work in the DoWMAT, and all who come into contact with it, can expect to experience that love in the way that they are treated.



To Learn



The DoWMAT is a Christian learning community that is committed to enabling all to live a life of freedom and transformation as a result of the hope and wisdom that learning brings. Learning is at the heart of the Church of England’s vision for and commitment to education. Growing in wisdom is celebrated in the Bible and all are exhorted to listen, to seek guidance, to acquire knowledge and to learn discretion (Proverbs 1: 1-6), largely through human relationships and interactions. Jesus’ teaching, as summed up in the Beatitudes (Matthew 5:3-10), describes human beings who are learning to live a life that is characterised by humility, compassion, mercy, righteousness and peace. The learning that takes place within the DoWMAT is expected to be recognisably rooted in these godly characteristics and focused upon enabling the holistic development of people who are made in the image of God.

To Serve

Service and servant leadership, was a striking feature of the way in which Jesus lived his life. The example he gave to his disciples in washing their feet (John 13:1-17) provides us with a role model for the way in which we should seek to live in community with others. Putting the needs of others before our own, supporting people in their growth and development as holistic human beings, enabling people’s gifts and talents to come to the fore as a result of our service to them are all defining characteristics of the way in which the DoWMAT operates. In serving others and meeting their needs through generosity of spirit, we manifest God’s grace and love for others (1 Peter 4:8-11).



These core values underpin all aspects of our Trust as we strive to make a positive difference to the lives of all DoWMAT pupils whilst they are at school and in later life. Through these values, we can be sure our community is one of hope; a place of transformation and trust, where all are treated with respect and dignity.

OUTSTANDING PROFESSIONALS | COLLABORATIVE PARTNERSHIPS | STRONG SYSTEMS | CONFIDENT LEARNERS

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STATEMENT OF INTENT

It is important for the Diocese of Worcester Multi Academy Trust (“the trust”) to demonstrate that they do not benefit personally from decisions they make in regards to the spending of public money. In order 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, guaranteeing consistency in financial procedures across the academies.

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

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

Name of Academy:	
Approved by:	Local Academy Board
Signed (Chair of the Local Academy Board):	
Date:	
Approved by:	Head Teacher
Signed (Headteacher):	
Date:	

LEGAL FRAMEWORK

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

- The Employment Relations Act 1999
- Companies Act 2006
- Companies Act 1985
- Charities Act 2016
- The Equality Act 2010
- The Education (School Teachers' Appraisal) (England) Regulations 2012 (as amended)

This policy also has due regard to DfE guidance, including, but not limited to, the following:

- DfE 'Academies financial handbook'
- DfE 'Academies financial assurance'

This policy should be used in conjunction with the following Trust policies:

- Pay Policy
- Charging and Remissions Policy
- Investment and Treasury Management Policy
- Competitive Tendering Policy
- Anti-Fraud and Corruption Policy
- Procurement Policy
- Gifts and Hospitality
- Principle Risks and Uncertainties Policy

KEY CONTACTS LIST

Trust Key Contacts

Role	Name
Chair of Board of Trustees	Mr. Hugh Richards
Chief Executive Officer	Mrs. Claire Davies
Director of Finance	Mrs. Claire Rushton
Director of Operations	Mrs. Claire Roberts
Data Protection Officer	Mrs. Claire Roberts

Academy Contacts

Role	Name
Headteacher	
Deputy Headteacher	
School Business Manager	
Chair of the Local Academy Board	
Chair of Finance Committee	
Whistleblowing	

INTRODUCTION

The purpose of this manual is to provide further instruction and guidance to trustees, Chairs of local academy boards, finance committees, headteachers and academy finance staff within the trust, to ensure that the central trust and each academy within the trust maintains and develops systems of financial control which conform to the requirements of both propriety and good financial management.

It is essential that these financial accountability systems operate effectively to meet the requirements and needs of the Academy's funding agreement with the Secretary of State for Education (SoS), the Department for Education (DfE) and the Education Skills Funding Agency (ESFA).

The ESFA Academies Financial Handbook (AFH), is available on the ESFA website.

The AFH informs that the academy must apply the principles of financial management, control and governance, as well as role responsibility and audit. This manual expands on the AFH and provides some more detailed information on the Academy's accounting procedures and systems as it relates to the trust. All staff involved with financial accountability must read the AFH.

Included within an annex to the AFH is a schedule of requirements (the 'musts') that the trust and its constituent academies must have in place. The trustees, Chairs of local academy boards, finance committees, headteachers and academy finance staff must be aware of the 'musts' and are responsible for ensuring that they are in place and operating effectively.

Effective governance results in clear public accountability for the performance of the trust and its constituent academies. Weak governance reduces accountability, removes checks and balances and denies the academy of a potentially valuable source of guidance.

The financial responsibilities of the local academy board, its committees, the Head and other staff are defined in this financial manual. This should allow the local academy board to ensure that adequate systems of financial control are in place, and that it receives the information it needs to carry out its role.

1. GOVERNANCE

1.1. Role of Members

- 1.1.1. The trust is a charitable company limited by guarantee and has members who have a similar role to the shareholders of a company limited by shares. They:
- Are the subscribers to the trust’s memorandum of association (where they are founding members);
 - May amend the articles of association (the articles include a definition of the trust’s charitable objects and governance structure) subject to any restrictions in the articles or in the trust’s funding agreement or charity law;
 - Have powers to appoint and remove trustees in certain circumstances;
 - Appoint the trust’s auditors and receive the trust’s audited annual accounts (subject to the Companies Act).
 - Members must not be employees or occupy unpaid staff roles.
 - Members must remain informed about trust business and that trusts must appoint a clerk to the board.

1.2. Role of the Board of Trustees

- 1.2.1. The board of trustees of the trust have wide responsibilities under statute, regulations and the funding agreement as well as a wide discretion over its use of the trust's funds, which it must discharge reasonably and in a way that commands broad public support. 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 and the AFH;
 - Ensuring clarity of vision, ethos and strategic direction
 - Holding executive leaders to account for the educational performance of the organisation and its pupils, and the performance management of staff
 - Overseeing the financial performance of the organisation and making sure its money is well spent; and
 - The proper stewardship of those funds, including regularity and propriety, and for ensuring economy, efficiency and effectiveness in their use – the three key elements of value for money.
- 1.2.2. Because the trust is a company limited by guarantee and an exempt charity the board of trustees are subject to the duties and responsibilities of charitable trustees and company directors as well as any other conditions that the Secretary of State agrees with them. These responsibilities are mutually reinforcing and are there to ensure proper governance and conduct of the trust.
- 1.2.3. The key requirements are reflected in the articles of association, the funding agreement, and the AFH.

- 1.2.4. As recommended by the ESFA trustees should follow the guidance in the [Governance Handbook](#) which sets out principles of good governance and the legal duties applying to, and core role and strategic functions of, boards of trustees.
- 1.2.5. Trustees must also be aware of the Charity Commission’s guidance for trustees [CC3: The Essential Trustee: What you Need to Know, what you need to do](#) and should be aware of other guidance published.
- 1.2.6. The board of trustees must understand their statutory duties as company directors as set out in the Companies Act 2006. These comprise the duties 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; and
 - Declare interest in proposed transactions or arrangements.
- 1.2.7. The board of trustees should identify the skills and experience that it needs, and address any gaps through recruitment, and/or induction, training and other development activities.
- 1.2.8. The board should also address this for any local academy boards it has put in place. The [Governance Handbook](#) identifies a range of training material to help trustees develop and engage fully with their role. This includes a competency framework for governance that trusts should refer to in determining whether they have skills gaps.
- 1.2.9. The board of trustees must provide details of the academy trust’s governance arrangements in the governance statement published within its annual accounts, and on its website. This includes its scheme of delegation for governance functions setting out what the board has delegated to its committees and, in the case of multi-academy trusts, to local academy boards.
- 1.2.10. Each year as part of the governance statement the board of trustees should include an assessment of the trust’s governance, including a review of the composition of the board in terms of skills, effectiveness, leadership and impact. To help with this, trusts should refer to the six key features of effective governance set out in the [Governance Handbook](#) (strategic leadership, accountability, people, structures, compliance and evaluation).
- 1.2.11. The funding agreement sets out additional specific responsibilities of the board of trustees.
- 1.2.12. The board and its committees must meet regularly enough to discharge their responsibilities under their articles of association, funding agreement, the AFH and this

handbook, to ensure robust governance and effective financial management arrangements.

- 1.2.13. Board meetings must take place at least three times a year (and business conducted only when quorate) although the trust may well consider it appropriate to meet more frequently.
- 1.2.14. The board should identify the actions they need to accomplish during the year and this should inform the frequency of meetings.
- 1.2.15. Whilst the board cannot delegate overall responsibility for the trust's funds, it must approve a written **Scheme of Delegated Authority** of financial powers that maintains robust internal control arrangements.
- 1.2.16. This written Scheme of Delegated Authority must be reviewed on an annual basis as part of one of the board meetings and minuted.

1.3. Role of the Chief Executive Officer

- 1.3.1. The role of the Chief Executive Officer (CEO) is that of the Accounting Officer therefore refer to s1.4

1.4. Role of the Accounting Officer

- 1.4.1. In accordance with the AFH the senior executive leader (principal or chief executive) must be appointed as accounting officer, under the guidance of the board of trustees.
- 1.4.2. The accounting officer for the trust is the CEO as named within the Key Contacts List.
- 1.4.3. The role of accounting officer includes specific responsibilities for financial matters. It includes a personal responsibility to Parliament, and to the ESFA's accounting officer, for the financial resources under the trust's control and for assuring Parliament, and the public, of high standards of probity in the management of public funds, particularly:
 - **Value for money** – this is about achieving the best possible educational outcomes through the economic, efficient and effective use of resources.
 - **Regularity** – dealing with all items of income and expenditure in accordance with legislation, the terms of the trust's funding agreement, the AFH, this handbook and any supplementary policies and procedures – this includes spending public money for the purposes intended by Parliament
 - **Propriety** – the requirement that expenditure and receipts should be dealt with in accordance with Parliament's intentions and the principles of parliamentary control – this covers standards of conduct, behaviour and corporate governance.

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- 1.4.4. The accounting officer must complete and sign a statement on regularity, propriety and compliance each year and submit this to ESFA with the audited accounts.
- 1.4.5. The accounting officer must also demonstrate how the trust has secured value for money via the governance statement in the audited accounts
- 1.4.6. The accounting officer is also responsible for ensuring that they have appropriate oversight of financial transactions within the trust, by:
- Ensuring that all the trust’s property and assets are under the control of the trustees, and measures are in place to prevent losses or misuse, including maintenance of fixed asset registers;
 - Ensuring that bank accounts, financial systems and financial records are operated by more than one person; and
 - Keeping full and accurate accounting records to support their annual accounts.
- 1.4.7. The accounting officer must take personal responsibility (which must not be delegated) for assuring the board of trustees that there is compliance with the AFH and the funding agreement.
- 1.4.8. The accounting officer must advise the board of trustees in writing if, at any time, in his or her opinion, any action or policy under consideration by them is incompatible with the terms of the articles, funding agreement or this handbook.
- 1.4.9. Similarly, the accounting officer must advise the board of trustees in writing if the board appears to be failing to act where required to do so by the terms and conditions of the AFH or funding agreement.
- 1.4.10. Where the board of trustees is minded to proceed, despite the advice of the accounting officer, the accounting officer must consider the reasons the board of trustees gives for its decision. If, after considering those reasons the accounting officer still considers that the action proposed by the board of trustees is in breach of the articles, the funding agreement or the AFH, the accounting officer must notify ESFA’s accounting officer immediately, and in writing.
- 1.4.11. The ESFA will send a ‘Dear Accounting Officer’ letter annually to the trust’s accounting officers, covering issues pertinent to their role such as developments in the accountability framework and findings from ESFA’s work with trusts. The accounting officer must share this letter with their members, trustees, chief financial officer and other members of the senior leadership team. They must also arrange for it to be discussed by the board of trustees and take action where appropriate to strengthen the trust’s financial systems and controls.
- 1.4.12. Confirmation that both the **accounting officer** and **chief financial officer (CFO)** should be employees, and a requirement for ESFA approval if, exceptionally, they are not. Also

encouraging larger trusts to consider relevant accountancy qualifications for their CFO, and for all CFOs to maintain professional development.

1.5. Role of the Chief Financial Officer

- 1.5.1. In accordance with the AFH the trust must have a chief financial officer (“CFO”) who has been appointed by the trust’s board.
- 1.5.2. Whilst the trust’s accounting officer is accountable for the trust’s financial affairs, for keeping proper financial records, and for the management of opportunities and risks, the delivery of the trust’s detailed accounting processes will be delegated to the CFO.
- 1.5.3. The CFO for the trust is the Director of Finance (“DF”) as named within the Key Contacts List and from this point forward within this document the CFO will be known as the DF.
- 1.5.4. The DF plays both a technical and leadership role, including ensuring sound and appropriate financial governance and risk management arrangements are in place, preparing and monitoring of budgets, and ensuring the delivery of annual accounts.
- 1.5.5. The DF need not discharge all of their duties personally as the trust reserve the right to decide that its needs are adequately served by employing staff or contractors with the relevant skills and knowledge at the appropriate time.

1.6. Role of the Central Trust Team

- 1.6.1. The central trust team is responsible for implementing the strategy, policies and procedures determined by the board of trustees whilst ensuring the trust is compliant with the relevant laws and regulations.
- 1.6.2. The central trust team is also there to support and guide the constituent academies and provide a range of services to assist with this responsibility.
- 1.6.3. The central trust team is responsible for the trust’s financial records and returns and its day to day operations. This financial responsibility is headed up by the DF and support by their team that form the central trust finance department.
- 1.6.4. The central trust team is not responsible for the day to day financial management or operations of its constituent academies as this is the responsibility of the LAB, headteacher and SBM unless an academy’s delegated powers have been withdrawn.

1.7. Role of the Local Academy Board

- 1.7.1. The local academy board (“LAB”) is collectively responsible for the overall direction of its academy and its strategic management. This involves determining the guiding principles within which the academy operates and then making decisions about, for example, how to spend the academy budget. The LAB is also responsible for ensuring it meets all its statutory obligations and, through the Exec Head/ Head/School Business Manager, complies with the trust’s financial regulations.
- 1.7.2. The LAB decides how to spend the academy budget and is required to approve an annual budget plan which is then submitted to the Trust board for approval.
- 1.7.3. The LAB is ultimately responsible for ensuring that accurate accounting records are maintained by the academy and that procedures set out within this financial handbook are adhered to by all academy staff. It is expected that the day to day responsibility for ensuring this is delegated to the headteacher who must provide adequate assurance to the LAB that this responsibility is being met.
- 1.7.4. LAB’s are not under a direct duty to secure best value but the trust requires the LAB to demonstrate, in their annual budget plan, that they have followed best value principles in drawing up that plan.
- 1.7.5. By virtue of Section 50(7) of the School Standards and Framework Act 1998, members of the LAB do not incur any personal liability in respect of anything done in good faith in exercising their power to spend the academy budget, or delegating that power to the Headteacher.
- 1.7.6. The LAB can delegate any of its statutory functions to a committee, a LA member or the Headteacher, although functions relating to the approval of the first formal budget plan of the financial year cannot be delegated to an individual.
- 1.7.7. In fulfilling their broader role in relation to school improvement, the LAB will need to take a strategic view how the school development plan (SDP) impacts the academy’s finances. In doing so there are a range of additional aspects that LAB’s must consider including:
- **Forward planning** - taking a 3-year view on the likely impact of the academy development on the academy’s finances over the coming 3 years.
 - **Sources of capital funding** - funding to assist with the development of the infrastructure of the academy (e.g. costs of new buildings, significant repairs, capital equipment such as IT equipment)
 - **Sources of revenue funding** - funding to assist with the day-to-day running costs of the academy (e.g. costs of staff, training, consumables, teaching resources, utilities etc.)

- 1.7.8. A list of the various LAB Committees and their terms of reference are included in the appendices of this Financial Handbook.
- 1.7.9. All financial returns submitted to the trust must be approved by the LAB and the finance committee, if responsibility has been delegated to that committee. These returns must be signed by the Chair of the LAB and the headteacher of the academy.
- 1.7.10. The LAB is responsible for ensuring that these requirements are implemented by making sure that the headteacher produces copies of the documentation, with their signature at the finance committee and LAB meetings.
- 1.7.11. It is the headteacher that has ultimate executive responsibility to the LAB for the financial management of the academy.

1.8. Role of the Headteacher

- 1.8.1. The role of the headteacher (also relates to executive headteacher and principal) includes:
- The management of the academy financial position at a strategic and operational level;
 - The management and supervision of effective systems of internal control;
 - Acting as a cheque signatory on the academy bank account;
 - Acting as a cheque signatory on other Academy fund accounts; and
 - The management of other financial issues as applicable.
- 1.8.2. Where the academy has a Head of School, deputy or assistant headteacher their financial responsibilities include:
- Deputising in the headteachers absence.

1.9. Role of the School Business Manager or Equivalent

- 1.9.1. The School Business Manager (“SBM”) is principally responsible:
- For the provision of financial advice to the LAB and headteacher;
 - For the implementation of the procedures set out within this financial handbook and any supplementary policies and procedures;
 - For the preparation and maintenance of the accounting system, reports and records as may be required by the LAB and the trust; and
 - To the headteacher for the day-to-day financial responsibility of the academy finances.

1.9.2. The SBM can be one of the following:

- A member of the school staff;
- A specific individual in that post;
- A brought in provider

1.9.3. The LAB must ensure that whoever takes on this role:

- Is suitably qualified and experienced;
- Has sufficient resources to carry out the function;
- Has time in which to effectively discharge their financial responsibilities

1.9.4. Where the LAB believes that further support for the SBM role is required, this may be purchased or brokered from another academy or an external provider. Some of the more detailed areas of responsibilities that are part of the role which will assist the LAB in making their assessment on whether further support is require are:

- Supervision and production of financial management reports to the SLT, LAB and the trust in agreed format to agreed deadlines;
- Reconciliation of bank, VAT and supplier account;
- All planning matters will be assumed by the headteacher and SLT but will be implemented by the SBM working under the full supervision of the SLT who has delegated authority from the Finance, Staffing and Premises Committee;
- In collaboration with the headteacher, will undertake the preparation of out-line specifications for new premises, obtain tenders, planning permissions and liaise with the academy's architects.
- Reconciliation of school academy debtors

1.10. Key Financial Decisions

1.10.1. Minutes of the full LAB and the various committee meetings must be kept in the academy office. These minutes make reference to decisions made by the LAB, and include those that have financial implications.

1.10.2. Ratified minutes of the full LAB and the various committee meetings that are public are available for viewing by non- governors. Any confidential matters that have been discussed are not included in the public copies. These minutes are kept in the academy office. The minutes make reference to decisions made by the LAB, and include those that have financial implications.

1.10.3. The trust recommends each academy appoints a Finance Governor to review the academy's finances and report on these to the full Local Academy Board. The LAB may delegate some of the detailed checking to an external contractor (Responsible Officer)

who submits reports to the relevant LAB committees. The LAB is responsible for ensuring any financial issues are immediately reported to the trust Director of Finance (DF).

- 1.10.4. The trust will appoint a Responsible Officer who will be a nonemployee with an appropriate level of qualifications and/or experience, and who neither charges, nor is paid by the academy or the trust for their work. The Responsible Officer will provide an internal scrutiny of the Trust financial management – reporting directly to the Finance and Audit Committee. The Finance and Audit Committee will direct the Responsible Officer to areas for review or causes for concern i.e. as raised by the auditors.
- 1.10.5. The main duties of the Responsible Officer are to provide the Trust with independent assurance that:
- The financial responsibilities of the LAB 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 taken into account in reaching decisions.

1.11. Declaration of Governor Interests

- 1.11.1. It is important that all academy employees act (and are seen to act) impartially and avoid any conflict between business and personal interest, and the interests of the Trust and its schools. Therefore, each academy is responsible for maintaining a register of business and personal interests for all governors of LAB's, headteachers and all staff with a financial responsibility. It should be freely available for inspection by the trust Central Team, LAB members, staff and parents. This register of interest must be updated annually, published on the academy website and shared with the trust Director of Operations.
- 1.11.2. The trust's register of interests must capture the relevant business and pecuniary interests of members, trustees local governors of academies within a multi-academy trust and senior employees, including:
- Directorships, partnerships and employments with businesses;
 - Trusteeships and governorships at other educational institutions and charities; and
 - For each interest: the name of the business; the nature of the business; the nature of the interest; and the date the interest began.
- 1.11.3. The register must identify any relevant material interests arising from close family relationships between the academy trust's members, trustees or local governors. It must also identify relevant material interests arising from close family relationships between those individuals and employees.

1.11.4. As defined by the AFH, a connected party is:

- Any member, trustee, or local governor of the trust;
- Any individual or organisation connected to a member, trustee or local governor of the academy trust. For these purposes the following persons are connected to a member, or trustee:
 - A relative of the member or trustee. 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, trustee or a relative of the member or trustee;
 - A company in which a member or the relative of a member (taken separately or together), and/or a trustee or the relative of a trustee (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; and
 - An organisation which is controlled by a member or the relative of a member (acting separately or together), and/or a trustee or the relative of a trustee (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 that is given the right under the trust's articles of association to appoint a member or trustee of the academy trust; or anybody related to such individual or organization; and
- Any individual or organisation recognised by the Secretary of State as a sponsor of the academy trust; or anybody related to such individual or organisation.

1.11.5. The register is kept up to date and complete, and includes all governors and relevant staff. In this regard, each governor and member of staff provides signed and dated returns, including nil returns, on an annual basis. On the appointment or election of new Governors the Clerk will invite them to register their interest and cancel and sign the entry of the retiring governor.

1.11.6. In addition, there are in-year declaration procedures to enable Governors, the Exec Head/Head Teacher and staff to declare interests as they become aware of them. "Declarations of Personal and Business Interests" should be a standing agenda item for the Governing Body and Committee meetings.

1.12. Security and Data Protection

1.12.1. Each LAB at academy level and the Director of Operations (DO) at central trust level are responsible for ensuring that effective arrangements are made relating to maintaining

proper security arrangements at all times for all buildings, plant, vehicles, stocks, stores, furniture, equipment, cash, cheques, personnel/pupils and financial records etc. under its control. Where security is thought to be defective or it is considered that special security arrangements may be required, these must be made known to the DO without delay.

- 1.12.2. Maximum limits for cash holdings must not be exceeded without the permission of the DF.
- 1.12.3. Keys to safes and similar secure places of storage are to be carried on the person of those responsible at all times; the loss of any such keys must be reported to the DF immediately.
- 1.12.4. The board of trustees have ultimate responsibility for ensuring that the trust complies with data protection legislation although it is expected that the operational responsibility would be delegated to a named individual, known as the Data Protection Officer (“DPO”), of the central trust team. Where responsibility is delegated this must be recorded in the minutes of the relevant meeting of the board of trustees.
- 1.12.5. The DPO, and ultimately the board of trustees are responsible for ensuring that the appropriate guidance and training is given to LAB’s and all trust staff in respect of their data protection responsibility.
- 1.12.6. Each LAB is responsible for maintaining proper security and privacy in accordance with data protection legislation with regard to the information held both electronically and on paper records and documents. They are also responsible for ensuring that academy staff have been adequately trained in their data protection responsibilities. It is expected that this responsibility would be delegated to the headteacher of each academy at an operational level who would then report back to the LAB.
- 1.12.7. Where there are deemed to be any breaches in data protection these must be reported to the DPO within 24 hours by the headteacher of the academy. The DPO is responsible for deciding the appropriate course of action and for informing the board of trustees as soon as is practical.

1.13. Attendance of Trust Employees at Academy Meetings

- 1.13.1. The CEO, DF, or authorised representative, reserve the right to attend any meetings of an LAB. Prior notice of such attendance will be given by no later than 5 days before the meeting is due to take place unless it is impracticable to do so.

1.14. Challenge of Academy Financial Performance

1.14.1. The trust has a duty to ensure the effective management of resources by its constituent academies. To this end, academies may be required to submit returns as specified by the trust for this purpose in addition to the monthly reporting. All submissions required by the trust should be completed in a timely and accurate manner. The trust has a duty to challenge the financial performance of its constituent academies and will monitor and check the monthly reporting pack submitted by each of its constituent academies as part of the challenge process. This monitoring will be performed by the DF and the central trust finance department.

1.14.2. Where the academy's financial performance gives cause for concern, the academy will be required to attend a financial review meeting with the trust, to work in collaboration to review the reasons for concern and agree a way forward. This process will form the initial stage of any intention or requirement for the trust to issue a Notice of Concern.

1.14.3. The following reasons, although not an exhaustive list, are deemed to give an indication that the academies financial position looks fragile or there is evidence of weak financial management:

- Having a deficit budget;
- Applying for consecutive licensed deficits;
- Receiving a poor internal audit review;
- The monthly reporting pack is either not returned or gives cause for concern;
- Late payment of invoices
- The maintenance of a high level of uncommitted / unsupported surplus balance
- Projecting a declining budget leading to an overall deficit position within a three-year time frame

1.14.4. The DF will review and monitor all financial records continuously throughout the year.

1.14.5. The SBM of each academy will review and monitor each individual academy's financial records, raising any concerns with the DF.

1.15. Notice of Concern

1.15.1. The trust may issue a **Notice of Concern** to the LAB of any its constituent academies where, in the opinion of the CEO and DF the academy has failed to comply with any provisions of the financial handbook, or where actions need to be taken to safeguard the financial position of the trust or the academy.

1.15.2. The **Notice of Concern** will set out the reasons and evidence for it being made and may place on the governing body restrictions, limitations or prohibitions in relation to the management of funds delegated to it. These will include:

- Insisting that an appropriately trained/qualified person chairs the finance committee of the LAB; and

- Placing more stringent restrictions or conditions on the day to day financial management of an academy than the financial handbook requires for all of its constituent academies.

And may include:

- Insisting that relevant employees undertake appropriate training to address any identified weaknesses in the financial management of the academy;
- Insisting on regular financial monitoring meetings of the academy attended by employees of the central trust team;
- Imposing restrictions or limitations on the manner in which an academy manages additional funding streams separate to its core grant funding from the ESFA – for example by requiring an academy to submit income projections and/or financial monitoring reports on such activities; and
- Insisting the academy engages appropriate financial management support to enhance, provide supplementary guidance and inform on financial management procedures and issues.

1.15.3. The notice will clearly state what these requirements are and the way in which and the time by which such requirements must be complied with in order for the notice to be withdrawn. It will also state the actions that the trust may take where the LAB does not comply with the notice which could include withdrawal of delegated powers.

1.16. Withdrawal of Delegated Powers

1.16.1. Where it appears to the DF and CEO that a LAB subject to these regulations:

- Has failed to respond to advice or warnings (including the issue of a ‘Notice of Concern’ as detailed in s1.14 given by the trust or has failed to take remedial action recommended by the trust, or
- Has been guilty of a substantial or persistent failure to comply with requirements applicable under this financial handbook, or
- Is not managing its delegated budget in a satisfactory manner.

This will be reported to the board of trustees who then have the right to suspend the LAB’s right to a delegated budget.

1.16.2. Any action by the trust under this section must be communicated to the Chair of the LAB and headteacher within 7 days, stating the justification for the suspension how this action can be ultimately withdrawn upon successful improvement.

1.16.3. It is the responsibility of the Chair of the LAB to inform the remainder of the LAB of the action(s) taken by the board of trustees under this section.

1.17. Completion of ESFA Annual Returns

- 1.17.1. It is the responsibility of the DF to ensure that all of the required ESFA returns are submitted by the required deadline.
- 1.17.2. To ensure this responsibility is met the DF will establish a timetable, which allows sufficient time for the approval process and ensures that the submission date is met. This timetable will be communicated to the Chair of the LAB, headteacher and SBM of each of the trust's constituent academies.
- 1.17.3. This communication will also outline the responsibilities of each academy and those of the central trust in compiling the relevant information required for the completion of the return.

1.18. Variations to the Financial Handbook and Policies

- 1.18.1. The board of trustees, under the guidance of the DF, may at any time revise and at least on an annual basis, will review and alter the rules and procedures set out within this financial handbook where applicable.
- 1.18.2. Once the changes have been approved by the board of trustees, the trust will give academies at least 28 days' notice of any changes. This notice will be provided by the DF to the headteacher and Chair of the LAB of each academy.

2. INTERNAL SCRUTINY

2.1. Scope

- 2.1.1. Within the trust there will be an internal scrutiny process, alongside the work of an external auditor.
- 2.1.2. The function of the internal scrutiny is to provide an assessment of the trust's internal control identifying any weaknesses and providing recommendations for how those weaknesses can be resolved.
- 2.1.3. It is the responsibility of the board of trustees to determine the scope of the internal scrutiny, this will cover financial and non-financial controls. This responsibility may be delegated to a sub-committee.
- 2.1.4. The internal scrutiny cannot be undertaken by the Trust's external auditor. The trust can use additional individuals or organisations to support internal scrutiny where specialist non-financial knowledge is required.

- 2.1.5. Where this responsibility has been delegated to a sub-committee, the Chair of the sub-committee must report back to the board of trustees the findings of the internal auditor upon the successful completion of each internal audit.

2.2. Timetable

- 2.2.1. It is the responsibility of the board of trustees or a sub-committee to determine the timetable for the internal audit process.
- 2.2.2. It is the responsibility of the DF to communicate this timetable to the headteacher and SBM of each academy.
- 2.2.3. The internal auditor is responsible for communicating their findings to the DF who in turn will communicate these to the board of trustees or a sub-committee.
- 2.2.4. Once the findings have been approved by the board of trustees or a sub-committee the DF is responsible for communicating these to the headteacher and SBM of each academy and agreeing an action plan to resolve any weaknesses identified.
- 2.2.5. The DF will report back, on a regular basis, to the board of trustees or a sub-committee on the progress of this action plan.
- 2.2.6. It is the responsibility of the headteacher to inform their LAB of the points raised from the internal audit at the next LAB meeting.

2.3. Responsibilities

- 2.3.1. The DF is responsible for ensuring that the internal auditors have access to all books, records, information, explanations, assets and premises. Copies of any relevant documents may be taken by the external auditors. It is expected that the SBM of each academy will play a significant role in supporting the DF in the fulfilment of this responsibility.
- 2.3.2. The DF is responsible for agreeing a workable timeframe with the internal auditors for their internal control checks and communicating this timeframe to the headteacher and SBM of each academy along with any other individuals as deemed necessary.
- 2.3.3. Although the DF is ultimately responsible for ensuring an efficient internal audit process it is the responsibility of the SBM at each academy to assist the DF in fulfilling this responsibility by whatever means are deemed necessary.
- 2.3.4. It is the responsibility of the DF to assess and manage the performance of the internal auditor and to communicate any concerns to the board of trustees where applicable.

3. EXTERNAL AUDIT

3.1. Scope

- 3.1.1. In terms of the end of year audit, in accordance with the Companies Act 2006, the members of the trust will:
- Appoint an external auditor to certify whether the accounts present a true view of the trust's financial performance and position and to produce a set of audited financial statements.
- 3.1.2. The DF is responsible for sourcing and assessing appropriate external auditors for this year-end audit, the audit of the ESFA's Annual Accounts Return and the Teachers' Pension audit. It is expected the same external auditor will be used for all three requirements and the DF will provide a recommendation to enable the members to make an informed decision in relation to which external auditor to appoint.
- 3.1.3. The board of trustees, taking advice from the audit committee, must ensure there is an appropriate, reasonable and timely response by the trust's management team to findings by auditors, taking opportunities to strengthen systems of financial management and control.
- 3.1.4. Specifically, the audit and risk committee must:
- Review the external auditor's plan each year
 - Review the annual report and accounts
 - Review the auditor's findings and actions taken by the trust's managers in response to those findings
 - Assess the effectiveness and resources of the external auditor to provide a basis for decisions by the trust's members about the auditor's reappointment or dismissal or retendering. Considerations may include:
 - The auditor's sector expertise
 - Their understanding of the trust and its activities
 - Whether the audit process allows issues to be raised on a timely basis at the appropriate level
 - The quality of auditor comments and recommendations in relation to key areas
 - The personal authority, knowledge and integrity of the audit partners and their staff to interact effectively with, and robustly challenge, the trust's managers
 - The auditor's use of technology
 - Produce an annual report of the committee's conclusions to advise the board of trustees and members, including recommendations on the

reappointment or dismissal or retendering of the external auditor, and their remuneration.

- 3.1.5. The trust is responsible for ensuring that:
- A letter of engagement is produced, purchasing the external auditor's services in writing;
 - The letter of engagement provides for the removal of auditors, before the expiry of the term of office, in exceptional circumstances.
- 3.1.6. The trust will produce a statement of regularity, propriety and compliance, and will obtain a regularity assurance report on this statement from the external auditor.
- 3.1.7. The auditor's statement on regularity, propriety and compliance will be included in the trust's annual report. This formal declaration is to ensure that the trust has fulfilled the following responsibilities:
- Efficient and effective use of resources in the trust's charge;
 - Public money is spent only for the purposes intended by Parliament; and
 - Maintained appropriate standards of conduct, behaviour and corporate governance when applying the funds under their control.
- 3.1.8. The external auditor has a responsibility to advise the board of trustees and ESFA of any instances of irregularity or impropriety, as well as any non-compliance with the terms of the trust's funding agreement.

3.2. Timetable

- 3.2.1. During July, the appointed external auditor will start their preparative work on the annual financial statements.
- 3.2.2. During the autumn term the external auditors will conduct both on-site and remote testing across the central trust and its constituent academies.
- 3.2.3. During December, the appointed external auditors will present their audit findings to the DF. Following this meeting and subject to any changes, the external auditors will then present the board of trustees with the annual financial statements for them to review and approve.
- 3.2.4. Once the annual financial statements have been approved by the board of trustees the DF is responsible for communicating the audit findings to the headteacher and SBM of each academy and agreeing an action plan to resolve any weaknesses identified.
- 3.2.5. The DF will report back, on a regular basis, to the board of trustees or a sub-committee on the progress of this action plan.

- 3.2.6. It is the responsibility of the headteacher to inform their LAB of the points raised from the external audit at the next LAB meeting.
- 3.2.7. The DF is responsible for submitting the signed audited financial statements and the auditor's regularity assurance report to the ESFA by the deadline of 31st December each year.
- 3.2.8. The DF is responsible for ensuring that the latest set of audited financial statements are published on the trust's website by 31st January each year.
- 3.2.9. The trust is required to submit financial returns to the ESFA annually, as well as the audited financial statements. The National Audit Office (NAO) holds the right to access the book of accounts and all relevant records, files and reports of the trust for inspection, or for the carrying out of value for money studies.

3.3. Responsibilities

- 3.3.1. The DF is responsible for ensuring that the external auditors have access to all books, records, information, explanations, assets and premises. Copies of any relevant documents may be taken by the external auditors. It is expected that the SBM of each academy will play a significant role in supporting the DF in the fulfilment of this responsibility.
- 3.3.2. The DF is responsible for agreeing a workable timeframe with the external auditors for the year-end audit and communicating this timeframe to the headteacher and SBM of each academy along with any other individuals as deemed necessary.
- 3.3.3. Although the DF is ultimately responsible for ensuring an efficient year-end audit process it is the responsibility of the SBM at each academy to assist the DF in fulfilling this responsibility by whatever means are deemed necessary.
- 3.3.4. The financial statements of each trust across England are also consolidated into those of the ESFA and DfE. The ESFA will use a combination of audited financial statements, accounts returns and other information to generate the consolidated accounts. These accounts will be audited by NAO. Each trust and its constituent academies are a component of the consolidation and, therefore, the DF is responsible for submitting financial information requested by the ESFA for this purpose.
- 3.3.5. It is the responsibility of the DF to assess and manage the performance of the external auditor and to communicate any concerns to the board of trustees where applicable.

4. FINANCIAL MANAGEMENT

4.1. Basis of Accounting

- 4.1.1. Unless otherwise requested by the trust, each academy and the central trust should records transactions in accordance with the accruals concept.
- 4.1.2. Accrual accounting is an accounting method that measures the performance of the Academy by recognising financial transactions regardless of when the cash transaction occurs.
- 4.1.3. It is recommended good practice to profile the academy budget. A profile is the planned expenditure pattern over the year and will take into account that not all budget headings are spent in equal monthly amounts.
- 4.1.4. It is the responsibility of the SBM of each academy, with the support and guidance from the central trust finance team, to ensure that their academy's Financial records must reflect:
- The cost of goods and services when the benefit has been consumed, not when the cash has been expended; and
 - The receipt of income when the organisation is entitled to it – not when the cash has been received.

4.2. Use of Restricted Funds

- 4.2.1. As previously stated the trust is a charity and therefore subject to certain rules and regulations which includes fund accounting.
- 4.2.2. Fund accounting is an accounting system for recording resources whose use has been limited (commonly known as restricted) by the donor, grant authority, governing agency, or other individuals or organisation's or by law. It therefore emphasising accountability rather than profitability and is used by Non-profit organizations such as academies.
- 4.2.3. The key aspect of fund accounting is identifying whether a source of income has a restriction attached to it which determines how it can be spent. Sports/PE funding is a prime example of a restricted grant and the majority of grant income whether it's from the ESFA, local authority or another source tend to be restricted income.
- 4.2.4. It is the responsibility of the SBM at academy level and the DF at trust level to identify whether a source of income has restrictions attached and report such restrictions to the headteacher and LAB or CEO and board of trustees.

- 4.2.5. It is the responsibility of the headteacher and LAB at the academy level and the CEO and DF at central trust level to decide how these sources of income are to be spent. It is expected that this will form part of the budget setting process and documented in the relevant minutes. They are also responsible for ensuring that they receive and review the appropriate financial information to enable them to monitor how these funds are spent.
- 4.2.6. The SBM at academy level and the DF at trust level are responsible for ensuring that expenditure against that source of income can be easily identifiable from the financial system. It is recommended that a department structure within the accounting system is used to achieve this. For example, Sports/PE funding has its own department where the grant income and all relevant expenditure can be posted to achieving a sub-income and expenditure account for that source of income.

4.3. Budget Planning and Setting

- 4.3.1. Budgets are the financial translation of the School Development/Improvement Plan (“SDP”).
- 4.3.2. Estimates of expenditure and indicative budget allocations should be prepared sufficiently in advance of the new financial year to allow the LAB to consider the plans and ensure that the priorities in the SDP are addressed. It is recommended that budget planning takes place in the Spring/Summer Term ready for September.
- 4.3.3. Academies must set a budget that does not result in a deficit. If an academy sets an in-year deficit, which is covered by previous year’s funds, this should be highlighted upon approval by the LAB and be advised to the DF by the headteacher of the academy.
- 4.3.4. If an academy needs to set a budget which results in an overall deficit, then prior approval must be obtained from DF, with an accompanying five year plan which shows the deficit recovered within the next financial year, with a detailed justification for such plan. The DF will consult with the CEO other central trust employees on the acceptance of such a budget and plan. The LAB cannot approve the budget until such agreement has been reached with the DF.
- 4.3.5. Factors to consider when looking at an academy’s budget plan are:
- Pupil number forecasts;
 - Curriculum requirements;
 - Staffing requirements;
 - Other resource requirements (e.g. heating, lighting, insurance);
 - Past performance;
 - SLA and contracts; and
 - ESFA Funding Agreement.

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- 4.3.6. Once the academy has an idea of its needs, budgets can start to be prepared and developed. Development of the budget will include:
- Estimating income & expenditure;
 - Evaluating options and looking at various scenarios;
 - Finalising the budget; and
 - Monitoring and reviewing the budget.
- 4.3.7. Income can be one of the most difficult areas of the budget to estimate. In preparing for a future year's budget, academies should have a best estimate of pupil numbers. Areas to be aware of when predicting income are:
- Any balances that will carry forward into the new financial year;
 - Any non-delegated income (i.e. bank account interest, funding for courses, lettings);
 - Changes to the funding formula; and
 - Changes in allocations from new or existing grants.
- 4.3.8. Expenditure should be broken down into the various expenditure account reporting category headings.
- 4.3.9. The largest area of expenditure will be staffing. You must ensure that you allocate funds for increments, pay awards, employee on-costs, staff changes and vacancies.
- 4.3.10. Academies should work through each of the CFR headings allocating expenditure, using previous years as a guide. Always bear in mind the effect of inflation when setting the budget.
- 4.3.11. It is prudent and good practice to include a contingency in the budget. This will aid the academy in dealing with any unexpected payments through the year. The contingency can be used near the end of the financial year if required.

4.4. Finalising the Budget

- 4.4.1. The ESFA will inform academies of their budget allocation in March, prior to the start of the new financial year commencing 1st September each year.
- 4.4.2. The Chair of the LAB for each academy must inform the DF of the proposed LAB meeting date for approving their academy's budget. The DF is responsible for ensuring that this date fits in with the timeframe to report the approved academy and trust budget to the board of trustees and the ultimate submission to the ESFA by the 31st July deadline.
- 4.4.3. Once different scenarios and options have been considered a draft version of the budget must be prepared and presented to the LAB for approval and finalisation. The approval

of the budget by the LAB must be minuted and a copy of the budget filed along with the minutes.

- 4.4.4. After the LAB has approved the budget a copy of the approved budget which has been signed and dated by the Chair of the LAB must be forwarded to the DF.
- 4.4.5. The DF is responsible for preparing the individual central trust budget and the consolidated trust budget for approval by the board of trustees in sufficient time to ensure that the overall trust budget is filed with the ESFA by 31st July deadline. This ensures compliance with the AFH.
- 4.4.6. Once approved the budget must be communicated by the DF and headteachers to all the various budget holders within the academy so that everyone is aware of the overall targets and their part in helping to achieve them.
- 4.4.7. The budget is a working document and may be revised, reapproved by the LAB and resubmitted to board of trustees via the DF. There is currently no requirement to submit a revised budget to the ESFA.

4.5. Receiving Your Budget

- 4.5.1. The budget will be paid to each academy in monthly cash advances to the trust. Payment to Academies will be made in 12 equal payments as set out in your funding agreement and this will usually be the 2nd of each month.
- 4.5.2. The trust will retain 5% of the General Annual Grant (“GAG”) allocation each month to pay for central services.
- 4.5.3. Any other government grants are paid to academies once the trust has received payment from the ESFA.

4.6. Capital Expenditure

- 4.6.1. Devolved Formula capital (“DFC”) gives academies direct funding to help support the capital needs of their buildings. In general, this funding should be invested in the priorities agreed locally and identified in local asset / premises management plans. It can be rolled forward for up to 3 years to enable larger projects to be planned. This allocation is usually sent to academies from the ESFA in June each year.
- 4.6.2. DFC can also be spent on ICT equipment. It is entirely up to each academy to decide what proportion of their DFC grant should be spent on ICT.
- 4.6.3. Any unspent DFC monies at the end of the financial year will form part of the schools reserves position within the Trust reserves. Any request to spend reserves must be submitted and approved by the Trust Board.

4.7. Multi-year Budget Planning

- 4.7.1. The ESFA recommend that medium, being one to three years and long term, being one to five years planning should be undertaken.
- 4.7.2. The trust requires all academies and the central trust to prepare medium term as a bare minimum being the current year plus two further years. Budgeting software has been provided and expected to be used to facilitate this process.
- 4.7.3. It is the responsibility of the SBM at academy level and the finance team at central trust level to prepare these multi-year budget plans although it is expected that the headteacher and CEO will also be involved as applicable.
- 4.7.4. Once different scenarios and options have been considered a draft version of the multi-year budget must be prepared and presented to the LAB for approval and finalisation. The approval of the budget by the LAB must be minuted and a copy of the multi-year budget filed along with the minutes.
- 4.7.5. After the LAB has approved the multi-year budget a copy of the approved multi-year budget which has been signed and dated by the Chair of the LAB must be forwarded to the DF.
- 4.7.6. The DF is responsible for preparing the consolidated multi-year trust budget for approval by the board of trustees.
- 4.7.7. The multi-year budget planning process will be completed by the 31st July each year and it is the responsibility of the DF to establish a timetable to ensure that this deadline is met, which allows sufficient time for the preparation, approval and submission. This timetable will be communicated to the Chair of the LAB, headteacher and SBM of each of the trust's constituent academies.

4.8. Cash Flow Forecasting

- 4.8.1. The central trust manages the trust bank account. The DF at central trust level is ultimately responsible for ensuring that there is sufficient cash within the bank account to cover relevant expenditure.
- 4.8.2. The trust has no overdraft facilities in place as this is prohibited by the AFH and therefore the trust must not be overdrawn on any of their bank accounts.

4.9. Financial Reporting – Operational Level

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- 4.9.1. The accounting software used by the trust can be used to produce a range of reports to assist with the financial reporting process.
- 4.9.2. The trust has created a Monthly Report (“MR”) template that must be used and completed by each academy and the central trust on a monthly basis. The key elements of this MR are:
- Budget monitoring including a forecast position as at the end of the current financial year and notes to accompany the report.
- 4.9.3. Monthly budget monitoring in academies must be carried out by the SBM at academy level and the finance department at central trust level to identify significant variances from the budget submitted and approved by the LAB and the trust.
- 4.9.4. Whether a variance from the budget is significant will depend on the size of the budget allocation. For example, a large overspend on teaching staff would be more significant than a £200 overspend on administrative supplies. It is therefore expected that a degree of materiality will be applied when commentating on budget variance, with not all variances being explained due to them being deemed as immaterial.
- 4.9.5. Because the monitoring of the budget should be a continuous process throughout the financial year it is essential that the academies accounting system be kept up to date in order to provide the relevant stakeholders a reliable source of financial information. It is the responsibility of the SBM at academy level and the DF at central trust level to ensure this is the case.
- 4.9.6. At academy level, the MR for the prior month must be presented by the SBM to the headteacher by no later than the 20th of the following month (e.g. MR for June to be presented and discussed with the headteacher by 20th July). A summary of the discussion must be documented, signed and dated by both the SBM and the headteacher.
- 4.9.7. If budget accounts are delegated to departmental level, the headteacher must ensure that a senior member of the department is held responsible for the financial control of that budget. Any budget holders must receive regular reports comparing actual and committed expenditure against the budget allocation although the frequency of these reports are to be determined by the headteacher at each academy.

4.10. Financial reporting – LAB

- 4.10.1. Regular budget monitoring reports should be submitted to the LAB and the Finance Committee. This must be at least three times a year and recorded in the minutes of the meeting, together with a summary of any discussion.
- 4.10.2. It is advised that reports to the Finance Committee carry sufficient detail for spending decisions to be made and it is expected that the MR will provide the necessary level of assurance. Summary reports may be more useful for full LAB meeting.

- 4.10.3. It is the responsibility of the headteacher, supported by the SBM, to ensure that the information the governing body receives is:
- Relevant;
 - Timely;
 - Reliable; and
 - Understandable.
- 4.10.4. The trust has a separate **Reserves strategy** which stipulates the recommended level of reserves to be held by the trust. It is the responsibility of the Board of Trustees to be aware of these recommended levels and to monitor the Trust's performance against these levels. Such discussions must be noted in the minutes of full Board or Finance and Audit Committee meetings.
- 4.10.5. The Trust's overall surpluses or deficits (reserves) at the end of the year are carried over to the following year.
- 4.10.6. The Chief Executive Officer as Accounting Officer must inform the ESFA immediately if a deficit is anticipated.
- 4.10.7. If the MAT is anticipating a deficit at the end of any financial year, the Board of Trustees, Chief Executive Officer and Director of Finance have a responsibility to ensure action is taken at the earliest opportunity to address this issue. The Board of Trustees must ensure that a recovery plan is submitted and approved by the ESFA.
- 4.10.8. If an academy within the Trust, after review of their Monthly Reporting, is anticipating a deficit at the end of any financial year, the Local Academy Board and Headteacher have a responsibility to ensure action is taken at the earliest opportunity to address this issue and reported to the Chief Executive Officer or Director of Finance immediately. Further scrutiny of the academy's finances will take place by the Chief Executive Officer and Director of Finance at the earliest opportunity and reported to the Trust Board for further discussion and agreed actions.
- 4.10.9. The Trust aims to ensure that a contingency reserve of approximately 12% of the total annual income is kept.
- 4.10.10. The Trust will determine a strategic reserves plan for any reserves held above 15% of its total annual income.
- 4.10.11. Any request to spend Trust reserves must be formally made to the Board of Trustees with a proposed plan for consideration. There is no set format to this plan as it will depend on what the application is being made for.
- 4.10.12. **Capital Reserves.** The Trusts overall surpluses at the end of the year are carried over to the following year. It is the responsibility of the Director of Finance to keep accurate

records of the capital funds, especially where grants have been received for capital projects

4.11. Financial Reporting – Central Trust

- 4.11.1. The SBM at academy level is responsible for submitting the MR for the prior month and a signed copy of the summary of any discussion in electronic format to the DF by no later than the 20th of the following month (e.g. MRP for June to be submitted to the DF by 20th July).
- 4.11.2. The DF, supported by the central trust finance department, are responsible for reviewing each academy's information and preparing the MR for the central trust. They will also then prepare a MR for the consolidated trust position.
- 4.11.3. At central trust level, the MR for central trust and the consolidated trust position the prior month must be presented by the DF to the CEO by no later than the 30th of the following month (e.g. MRP for June to be presented and discussed with the CEO by 30th July). A summary of the discussion must be documented, signed and dated by both the DF and the CEO.

4.12. Financial Reporting – Board of Trustees

- 4.12.1. In accordance with the AFH, the trust must submit relevant information to enable the board of trustees to obtain assurance over the financial management and governance of the trust at least three times a year.
- 4.12.2. To achieve this, the CEO, supported by the DF, will submit and discuss the MR for the consolidated trust position in:
 - December – covering the period up to 30th November;
 - March – covering the period up to 28th February; and
 - September – covering the period up to 31st August.
- 4.12.3. It is the responsibility of the CEO, supported by the DF, to ensure that the information the governing body receives is:
 - Relevant;
 - Timely;
 - Reliable; and
 - Understandable.

4.13. Borrowing

- 4.13.1. The trust may borrow money only with the written permission of the Secretary of State. The Secretary's general position is that academies will only be granted permission in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes in order to meet broader policy objectives. Academies are allowed to use any scheme that the Secretary of State has said is available to academies without specific approval.
- 4.13.2. To ensure the trust complies with the AFH, an academy or the central trust must not enter into any borrowing arrangement without the prior approval of the board of trustees.
- 4.13.3. Where an academy or the central trust believe they require such an arrangement, a proposal must be submitted to the board of trustees by:
- The headteacher and signed by the Chair of the LAB at academy level: or
 - The DF and signed by the CEO at central trust level.

This proposal must justify why such an arrangement is required and the full terms and conditions of the proposed arrangement.

- 4.13.4. The board of trustees are responsible for obtaining prior approval from the Secretary of State before the trust can enter into any borrowing arrangements except for those schemes that the Secretary of State has said are available to academies without specific approval.

4.14. Register of Gifts and Hospitality

- 4.14.1. The trust operates a Gifts and Hospitality Policy. It is the responsibility of each Headteacher to keep an up-to-date register of any gifts and hospitality. This should be monitored by the LAB.
- 4.14.2. At central trust level, it is the responsibility of the board of trustees to draw up and review such a policy whilst it is the responsibility of the DF to ensure that this register is kept up to date and submitted to the board of trustees on a regular basis.

4.15. Fraud

- 4.15.1. In accordance with the AFH the trust does not tolerate fraud. Where instances of fraud are found the Accounting Officer and DF must be notified immediately.
- 4.15.2. It is the responsibility of the CEO to notify the board of trustees and the ESFA of any instances of fraud.

4.16. Right of Access to Information

4.16.1. Where requests are received for the right of access to information, it is the responsibility of:

- The headteacher, supported by the SBM, at academy level; or
- The DF at central trust level;

To respond to such requests in an efficient and timely manner.

4.17. Publications on Website

4.17.1. It is the responsibility of the DF to ensure that the trust web site contains the most up to date financial information and governance documents as required by law and regulations.

4.17.2. Where required the DF will request information from each academy to fulfil this responsibility and it is the responsibility of the headteacher, supported by the SBM, to respond in an efficient and timely manner.

4.17.3. At academy level, it is the responsibility of the headteacher, support by the SBM, to ensure that the academy web site contains the most up to date financial information and governance documents as required by law and regulations.

4.18. Central Record of Contracts

4.18.1. It is the responsibility of the DO to ensure that the trust has a central record of contracts and Service Level Agreements, and that this is updated on a regular basis.

4.18.2. Where required the DO will request information from each academy to fulfil this responsibility and it is the responsibility of the headteacher, supported by the SBM, to respond in an efficient and timely manner.

4.18.3. At academy level, it is the responsibility of the headteacher, support by the SBM, to ensure that the academy has a record of contracts and that this is updated on a regular basis.

4.19. Charges and Remission Policy

4.19.1. It is the responsibility of each LAB to follow the trust's [Charging and Remissions Policy](#) at all times.

4.19.2. This policy should be made available to parents/guardians and incorporate:

- Academies must provide free education for their registered students, provided it takes place wholly or mainly during school hours;

- Academy hours are those when a school is actually in session, not including mid-day break;
- The main exception is that a charge may be made for individual musical tuition, except where it is within the requirements of the National Curriculum;
- Under certain circumstances a third party may charge parents direct for activities organised in school hours;
- Charging is permitted for education provided out of school hours, unless it is within the requirements of the National Curriculum or to fulfil statutory duties relating to religious education when only charges for board, lodging or residential trips can be made;
- Governors can choose to remit charges in whole or part;
- Charges must be remitted for board and lodgings to students whose parents receive income support or family credit, if the activity takes place during the school hours or is covered by the criteria relating to national curriculum or religious provision; and
- Voluntary contributions may be requested for any activity provided it is clear that there is no obligation to contribute and that there will be no differentiations between those who contribute and those who do not.

4.19.3. SBM is responsible for ensuring that the correct invoices are sent to parents/carers, and that payment is received.

4.19.4. The Trust Finance and Audit committee will review the Charging and Remissions Policy annually, seeking advice from the Director of Finance where necessary.

4.20. Insurance

4.20.1. It is the responsibility of the board of trustees to ensure that all risks of the trust are reviewed annually and a risk register is maintained and updated on a regular basis.

4.20.2. It is the responsibility of the LAB at academy level to reviews all risks annually and report these back to the board of trustees. This review can be performed in conjunction with the trust where appropriate, to ensure that the sums insured are commensurate with the risks.

4.20.3. All academies have purchased the RPA scheme run by the Government and payment for this service is taken direct from the ESFA allocation each month. The LAB must consider whether to insure risks not covered by the RPA and the cost of such premiums must be met from the academy's own budget.

4.20.4. The trust and its constituent academies will not give any indemnity to a third party without the written consent of its insurers.

4.20.5. The trust and its constituent academies must immediately inform its insurers of all accidents, losses and other incidents, which may give, rise to an insurance claim.

- 4.20.6. Insurance arrangements will cover the use of academy property, for example musical instruments or computers, when off the premises (as long as the item being taken is for work purposes).

4.21. Planning for Deficit Budgets

- 4.21.1. Each academy and the central trust may not plan for an in-year deficit **in excess of £10,000** at the end of a financial year except with the prior agreement of the trust.
- 4.21.2. Where, through in-year budget monitoring, the academy becomes aware of a potential unplanned deficit position at the end of the financial year which is either in excess of £10,000 or can't be covered by reserves this must be communicated by the headteacher to the LAB and DF immediately along with providing the necessary financial information that presents the expected position.
- 4.21.3. It is the responsibility of the DF to communicate this to the CEO and the Chair of the board of trustees within 48 hours.
- 4.21.4. Where, through in-year budget monitoring of the consolidated trust figures, the trust becomes aware of a potential unplanned deficit position at the end of the financial year which can't be covered by reserves this must be communicated by the DF to the CEO and Chair of the board of trustees within 48 hours. They are collectively responsible for ensuring that the ESFA is notified within the 14 days' timeframe as stipulated in AFH.
- 4.21.5. The DF, who may decide to consult with the CEO and board of trustees, will decide upon the next course of action and this may involve issuing a Notice of Concern.

5. CUSTOMERS AND INCOME

5.1. Setting Up a New Customer

- 5.1.1. Before entering into any agreements with customers, it is the responsibility of the SBM at academy level or the finance department at central trust level to obtain some background information about the customer including;
- Name;
 - Address;
 - Type of goods / service received; and
 - Contact details.
- 5.1.2. Before entering into any agreements with customers academies must complete some customer review checks. The academy should complete a credit check to assess the

financial position of a customer and to determine what payment terms and credit limit they may offer to that customer, if any.

- 5.1.3. They must ensure the company have appropriate insurance and desirable trading terms.
- 5.1.4. There is a trust template for the Customer Set Up form therefore each academy and the central trust ensuring the appropriate template is used. This form must be signed and dated by the SBM for the academy or the finance department for the central trust.
- 5.1.5. The central trust level will approve the creation of the new customer and will sign and date the Customer Set Up form.
- 5.1.6. A copy of the authorised Customer Set Up form should be filed in the supplier request file.
- 5.1.7. The central finance team will create the customer on the finance system based on the authorised Customer Set Up form.

5.2. Raising Sales Invoices

- 5.2.1. All sales invoices issued to customers must be created via the finance system.
- 5.2.2. Sales invoices raised in arrears must be raised within 14 days of the supply taking place. Where services are to be invoiced in advance the sales invoice must be issued within 14 days prior to the date the supply is due to be take place.
- 5.2.3. Sales invoices must include the below details:
 - Academy logo (or trust logo at central trust level);
 - Academy address (or trust address at central trust level);
 - Academy contact details (or trust contact details at central trust level);
 - Invoice date;
 - Invoice number (usually pre-defined by the finance system);
 - Description of goods / service provided;
 - Amount;
 - Quantity;
 - Invoice total;
 - Payment terms; and
 - Academy bank details.
- 5.2.4. The trust is not VAT register and therefore sales invoices must not include any VAT.

5.3. Processing Customer Receipts

- 5.3.1. Where a receipt is received from a customer that relates to a sales invoice that has been raised this receipt must be recorded in the finance system within 7 days of the receipt having been received.
- 5.3.2. It is the responsibility of the SBM at academy level of the finance department at central trust level to ensure that receipts are allocated against the correct sales invoice as this ensures the accuracy of the aged debtor reports.
- 5.3.3. Cash receipts and cheques must be recorded in accordance with the procedures.

5.4. Issuing Credit Notes & Refunds

- 5.4.1. If a credit note needs to be issued evidence must be provided to the headteacher at academy level or the DF at central trust level who will authorise a credit note to be issued.
- 5.4.2. The SBM at academy level or the finance department at central trust level are responsibility for raising the credit note on the finance system and for ensuring that it has been allocated against the correct sales invoice.
- 5.4.3. If the customer requests a refund in relation to a credit note or if a duplicate payment has been received the headteacher at academy level or the DF at central trust level must authorise any payment and a refund must be issued to the customer.
- 5.4.4. It is recommended practice that faster payments are not permitted to be made to customers. However, the headteacher at academy level or the DF at central trust level can authorise such a method to be used in exceptional circumstances.

5.5. EFSA Grants

- 5.5.1. Grant Income is received monthly from the EFSA and this is received into trust's bank account.
- 5.5.2. The DF is responsible for checking the income received matches to the GAG remittance received.
- 5.5.3. The management fee is 5% this contributes towards the below costs:
 - Audit fees; and
 - Central trust salaries (e.g. CEO, DF).
- 5.5.4. Once the GAG funding is received, the central finance team must reconcile the income received to the payment schedule / budgeted amount.

- 5.5.5. Once checked and posted into the finance system the GAG income posted must then be reconciled to the trial balance.
- 5.5.6. All grants received from the EFSA must be spent on its intended purpose and in accordance with the grant conditions detailed on the EFSA website. Details of grants allocations and how it was spent must also be published on the academy website for the following grants:
- Pupil Premium;
 - Sport Premium; and
 - Year 7 catchup premium.

5.6. Other Grants

- 5.6.1. Grants from other government and non- government bodies must be recorded in the finance system.
- 5.6.2. It is recommended best practice that a department is created in the finance system and all income and expenditure in relation to this grant is assigned to the department. A report can then be extracted from the finance system to enable the academy to monitor the grant as part of the monthly monitoring process.
- 5.6.3. It is the responsibility of the SBM at academy level and the DF at central trust level to review all associated grant conditions to ensure it is spent on its intended purpose and within the correct timeframe.
- 5.6.4. The SBM at academy level must be aware of any claw back conditions on the grant and notify the DF as soon as any possible claw back arises. This will ensure that the DF can assess if there is any possibility of utilising all of the grant and avoiding any claw back. The DF is responsible for being aware of any such conditions of central trust grants.

5.7. Online Parent Payments

- 5.7.1. If an academy uses a third party provider to receive online parental contributions a detailed report from the online payment system which details what income has been received and for what purpose should be obtained on a regular basis.
- 5.7.2. The academy must use this report to check against income received on the bank statement.
- 5.7.3. If the amount matches the bank statement, the report must be annotated with a tick, signed and dated by the individual performing the checks.

- 5.7.4. It is the responsibility of the SBM to ensure that this type of income is entered on to the finance system on a weekly basis as informed by the central finance team.

5.8. Balances on Conversion to an Academy

- 5.8.1. For new schools who have converted to academy status it is the responsibility of the headteacher, supported by the SBM, to ensure the carried forward balances proposed to be received on conversion from the local authority are as expected.
- 5.8.2. It is the responsibility of the headteacher to confirm the balance with the local authority prior to receiving payment.
- 5.8.3. Where there is a discrepancy, the headteacher is responsible for resolving this with the local authority. The headteacher must also immediately inform the DF of this discrepancy and ensure regular communication with the DF on the progress of the dispute.

6. COLLECTION OF OUTSTANDING DEBTS

6.1. Debt Recovery Procedure

- 6.1.1. Customers must be monitored fortnightly to ensure they do not exceed their credit limit and that invoices are not overdue. This monitoring is the responsibility of the SBM at academy level and the finance department at central trust level.
- 6.1.2. The procedures will apply to all of the academy's debtors irrespective of the source; the main debtor areas are:
- Lettings;
 - Catering fees; and
 - Consultancy.
- 6.1.3. Any customer that has been contractually invoiced but the invoice remains unpaid 30 days after the invoice date must be sent an account statement, which can be generated from the finance system, and overdue account reminder to pay.
- 6.1.4. Where a sales invoice is still outstanding 60 days after the invoice date an account statement from the finance system and a second letter of outstanding account reminder will be sent. Upon issuing the reminder, the customer must be contacted by telephone to establish the reasons for non-payment. Any conversation or correspondence must be logged in the customers file. The debt will also be reported to the headteacher at academy level or the DF at central trust level.

- 6.1.5. Where a sales invoice is still outstanding 90 days after the invoice date a warning letter will be issued by the SBM at academy level or the DF at central trust level. The customer must also be placed on hold as not to allow further debt to occur. The SBM must ensure the headteacher and DF have been informed of these actions. At central trust level the DF must inform the CEO of any such actions.
- 6.1.6. Where a sales invoice is still outstanding 120 days after the invoice date, the debt must be referred to DF who will instruct the central trust finance department to create a bad debt provision. The DF, upon discussion with the headteacher of the academy will then either:
- Issue a final demand and may include an intention of court action; or
 - Authorise or, seek authorisation where over the ESFA threshold, for the debt to be written off.

6.2. Provision of Bad Debts

- 6.2.1. In accordance with the debt recovery procedure, after an invoice remains unpaid for 120 days the DF will instruct the central trust finance department to create a provision for 100% of the amount owed. This will be included as a bad debt and reported in the MR.
- 6.2.2. If the debt is recovered, then the DF will instruct the central trust finance department to reverse the bad debt provision accordingly.

6.3. Write Offs

- 6.3.1. Writing off bad debts is a non-routine function, and all practical means will be undertaken to recover outstanding amounts due to the trust and its constituent academies before this action is taken.
- 6.3.2. Debts will be written off when the recovery procedures have proved unsuccessful and the customer is unwilling to pay the amount due and further action is either not cost effective or highly unlikely to succeed.
- 6.3.3. Before the decision is made by the DF to write off the debt, the following must be considered:
- The cost of recovery action against the amount of the arrears being pursued;
 - The likelihood of success i.e.:
 - Is it a small or large business / company;
 - Is it reasonable to assume that they have the funds available to pay the outstanding debt;
 - Is the customer still contactable;
 - What was the cause of non-payment;

- Were the debt recovery procedures stipulated in s6.1 followed; and
- Could there be any reputational risk to the trust if more severe action is taken (e.g. court action).

- 6.3.4. The trust DF may approve the write off of individual arrears to the value of £500.
- 6.3.5. Individual arrears above £500 shall be referred to the board of trustees for approval.
- 6.3.6. A list of all bad debt write offs below £500 shall also be reported to the board of trustees.
- 6.3.7. In accordance with the AFH the trust must obtain ESFA's prior approval for writing off debts and losses exceeding the below delegated limits (subject to a maximum of £250,000):
- 1% of total annual income or £45,000 (whichever is smaller) per single transaction;
 - Cumulatively, 2.5% of total annual income in any one financial year per category of transaction for any academy trusts that have not submitted timely, unqualified audited accounts for the previous two financial years; and
 - Cumulatively, 5% of total annual income in any one financial year per category of transaction for any academy trusts that have submitted timely, unqualified audited accounts for the previous two financial years.
- 6.3.8. In circumstances where the above limits apply, it is the responsibility of the board of trustees, supported by the DF, to obtain prior approval from the ESFA before any communication is made to the customer of such action taking place.

6.4. Accounting for Write Offs

- 6.4.1. Once the debt has been approved to be written off an adjustment is to be made in the finance system by the DF within 7 days of that decision having been made and minuted.

7. SUPPLIERS AND PURCHASING

7.1. Value for Money

- 7.1.1. Because the trust is using public funds, it is vital that the entire trust achieves the best value for money they can from all purchases, whether they are of goods or services. In this context, value for money is about getting the right quality at the best available price. This often means looking further ahead than the immediate purchase, especially when selecting equipment, and taking into account-associated costs such as supplies and maintenance.

- 7.1.2. The advent of Fair Funding has lent even greater significance to the contracting element of this area as academies now have greater control over spending decisions. It is important that contract specifications contain detailed service and quality provisions.
- 7.1.3. Many of the standards in this section are there to protect individuals and to ensure that public money is spent without any personal gain. Purchasing procedures are needed to prevent waste and fraud.
- 7.1.4. To seek value for money when purchasing, the trust and its constituent academies will always consider price, quality and fitness for purpose when purchasing goods or services.

7.2. Procurement Process

- 7.2.1. Where expenditure is expected to be above £5,000 for any singular transaction, prior approval must be obtained from the local academy board for academies or from the board of trustees for the central trust.
- 7.2.2. The procurement process for all expenditure must be in accordance with the Scheme of Delegated Authority and Appendix 1, unless it is impracticable to do so. In such circumstances, the reasons for not doing so must be reported to the local academy board for academies or from the board of trustees for the central trust and minuted.
- 7.2.3. Where a quotation other than the lowest is accepted, the reasons for this decision must be reported to the local governing body for academies or the board of trustees for the central trust as appropriate and minuted.
- 7.2.4. A tightly drawn up contract specification is the best way for the trust to ensure that it receives the service it was expecting. It is the basis on which the trust can seek redress for service quality or quantity if it falls below the level specified and therefore provides a framework against which the success of the contract can be measured. A contract specification should contain the following elements:
- Contract duration;
 - Definitions;
 - Contract objectives;
 - Services to be provided;
 - Service quantity;
 - Service quality standards (could include customer satisfaction surveys, number of user complaints, inspection checks);
 - Contract value and payment arrangements;
 - Information and monitoring requirements;
 - Procedure for dealing with disputes; and
 - Review and evaluation requirements.

7.3. Choosing a Supplier

- 7.3.1. Where practical, purchases should be made from an existing preferred supplier list which has been approved by the local governing body for academies or the board of trustees for the central trust and minuted.
- 7.3.2. Following the procurement process, if a purchase needs to be made from a new supplier then this must be authorised by the LAB including justification for why an existing supplier could not be used which is minuted.

7.4. Setting Up a New Supplier

- 7.4.1. Before placing any purchases with new suppliers, the following supplier review checks must be completed (these may have been completed as part of the procurement process):
- Credit check or trade check to assess the financial position of the supplier;
 - IR35 self-employment;
 - Payment terms and credit limit being offered;
 - Warranties and/or guarantees being offered;
 - Returns policy; and
 - Any other terms and conditions of trade.
- 7.4.2. Once a form has been completed and authorized, the supplier can be set up on the accounting system. The central trust must then review the supplier details on the accounting system back to source documents prior to any payments being made to that supplier. Once this review has taken place the **Supplier Set Up** form must be signed and dated in the relevant section.
- 7.4.3. The DF for the central trust is responsible for agreeing any payment terms with suppliers which are less than 30 days from the date of invoice. They are also responsible for agreeing any variations to what are deemed as normal trading terms and conditions such as payment by direct debit.
- 7.4.4. Where there is uncertainty over whether a condition is deemed as normal trading then the DF must be consulted prior to any agreement of terms.
- 7.4.5. The Supplier Set Up form must then be filed at central trust level.

7.5. Amending Supplier Details

- 7.5.1. If supplier details need to be amended, for example a change in bank details, it is the responsibility of the SBM to complete a new Supplier Set Up form to evidence these changes.

- 7.5.2. This form needs to be authorised before submission to the central finance team.

7.6. Purchase Requisitions

- 7.6.1. Purchase requisitions (“PRQ”) must be completed and authorised in accordance with the Authorisation Limits (Appendix 1) prior to conducting any procurement process or the purchase of any goods and services excluding the following:
- Utilities;
 - Rates; and
 - Catering contracts;
- 7.6.2. Where a PRQ has been raised prior to conducting a procurement process, the PRQ is likely to contain estimated information such as the cost of the goods or service. On completion of the procurement process the PRQ must be revised to include the correct information, with the amendments being authorised in accordance with the Authorisation Limits.
- 7.6.3. There is no trust template for a PRQ and therefore each academy and the central trust are responsible for ensuring an appropriate template is used which evidences the authorisation process as required by the Authorisation Limits.
- 7.6.4. The signatory who raised the PRQ must be satisfied that the goods or services ordered are appropriate and needed, that there is adequate budgetary provision and that the appropriate procurement process has been followed where applicable

7.7. Purchase Orders

- 7.7.1. Official orders from the accounting system must be issued from an authorised PRQ for all work, goods and services supplied to the trust. The accounting system that the trust uses issues pre-numbered orders for each location (i.e. each academy).
- 7.7.2. Orders are used only for goods and services provided to the trust. Individuals must not use official orders to obtain goods and services for their private use.
- 7.7.3. All orders must be signed by authorised signatories. Where the segregation of duties is not practical (i.e. in smaller academies) the SBM may enter the orders onto the accounting system and authorise the orders.
- 7.7.4. When an order is placed, the estimated cost is committed against the appropriate budget heading so that it features in subsequent budget monitoring.
- 7.7.5. It is the responsibility of the SBM at each academy or the finance department at the central trust, to monitor these commitments and to cancel any orders where the goods

or services are no longer required and therefore will not be delivered. It is recommended that these commitments are reviewed at least once a month as part of the month end process.

7.8. Confirming Delivery of Goods or Services

- 7.8.1. The signatory who raised the PRQ is responsible for checking the goods and services on receipt to ensure they match the order and the order is marked accordingly. The person who signed or processed the order does not do this.

7.9. Processing Invoices and Credit Notes

- 7.9.1. All invoices must be checked and authorised by the signatory who raised the PRQ confirming that the goods and services have been delivered.
- 7.9.2. Any invoices received must be checked and authorised by the SBM for the academy or the finance department for the central trust.
- 7.9.3. All invoices and credit notes must be entered on to the accounting system asap. This ensures that the accounting system and any reports reflect the true liabilities of the academy and the central trust.
- 7.9.4. Prior to entering the invoice or credit note on to the accounting system, the following checks must have been completed:
- Receipt of goods or services, cross-referenced to the order number;
 - Expenditure has been properly incurred and that payment has not already been made;
 - Prices accord with quotations, tenders, contracts or catalogue prices and arithmetic is correct;
 - Correct accounting treatment of VAT;
 - The invoice is correctly coded;
 - Discounts are taken where available; and
 - A grid stamp denoting that these checks have been made is used.
- 7.9.5. The academy or central trust must not make any payment on the basis of a copy, faxed, or photocopied invoice without completing the prescribed checks and evidencing that the invoice is a Copy Invoice.
- 7.9.6. Pro-forma invoices are not valid VAT invoices and therefore must not be entered on to the accounting system. These types of invoices are to be used for raising advance payments only.

7.10. Raising Payments

- 7.10.1. Only a member of staff approved by the governing body can certify invoices for payment. This must be neither the person who processed the order nor the person who checked the receipt of goods or services. The person authorising the payment must sign the invoice in full.
- 7.10.2. Payments are made promptly and only against actual Invoices.
- 7.10.3. It is the responsibility of the central trust to decide how they will ensure that only authorised invoices are included as part of the payment run for that week. The recommended best practice would be to scan all invoices on the finance system. Any invoices on the suggested pay run which have not been authorised can then be removed and the report re-generated. This report is then checked, signed and dated by the DF and another member of the finance department at the central trust level.
- 7.10.4. It is recommended best practice that payments should not be made against pro-forma invoices. However, where this is unavoidable then authorisation must be obtained from the headteacher at academy level or the DF at the central trust level prior to any payment being raised.

7.11. Service Level Agreements

- 7.11.1. Where any service level agreement is to be entered in to, this must be authorised and signed in accordance with the Authorisation Limits. It is expected that only the headteacher would be able to sign all such documents at academy level and the DO at central trust level.
- 7.11.2. Before entering in to such an agreement, it is the responsibility of each academy and the central trust respectively to ensure that the relevant procurement procedures have been followed and documented.

7.12. Travel and Subsistence Claims

- 7.12.1. Where expenditure is incurred by an employee in relation to the charitable activities of the trust then this expenditure can be reimbursed to the employee.
- 7.12.2. The most common expenditure that would be incurred by an employee is in relation to travel and subsistence costs for meetings and events such as training courses.
- 7.12.3. Expenditure must only be reimbursed upon completion through the Liberata Mercury Portal. The claim must be authorized via the portal by the employee's line manager for central trust level expenditure.

7.13. Leases

- 7.13.1. In accordance with the AFH, the trust and its constituent academies are not able to enter in to finance leases without prior approval from the ESFA.
- 7.13.2. In order to comply with the AFH, the academy or central trust will not enter into any financial agreement with lease or capital implications without the approval of the board of trustees, including operating leases.
- 7.13.3. Where the trust or one of its constituent academies wishes to enter in to a finance lease, it is the responsibility of the board of trustees to obtain the necessary approval from the ESFA. The lease agreement must not be entered in to until such approval has been obtained and communicated.

7.14. Governor Expenses

- 7.14.1. Governors for the purpose of s7.14 refer to members, trustees and local governors as defined by the ESFA's Governance Handbook.
- 7.14.2. Where any individual covered by s7.14.1 are also employed by trust (e.g. CEO) then this section provides guidance to their governor role only.
- 7.14.3. The only expenditure that can be reimbursed to governors are any travel costs incurred when attending trust related training events and courses. No other expenditure will be reimbursed.
- 7.14.4. Expenditure must only be reimbursed upon completion of a Reimbursements to Individuals Form. This form must be authorised, signed and dated by the Chair of the Local Academy Board ("LAB") for academy level expenditure or the Chair of the board of trustees for trust level expenditure.
- 7.14.5. Where the expenditure has been incurred by the Chair of the respective board, then the Vice-Chair must authorise, sign and date the Reimbursements to Individuals Form.

7.15. Connected Parties

- 7.15.1. Academy trusts must be even-handed in their relationships with connected parties and it is the responsibility of the board of trustees to ensure that the requirements for managing connected party transactions are applied across the trust.
- 7.15.2. Trade with any party that falls within the definition of a connected party in s1.11 must be subject to more stringent procurement procedures to ensure compliance with the AFH.

- 7.15.3. It is the responsibility of the headteacher at academy level and the DF at central trust level to ensure that the procurement process is compliant with the relevant sections of the AFH.
- 7.15.4. Following the completion of the procurement process and prior to any trade being placed with a connected party, approval must be obtained from the board of trustees. This approval aims to ensure that:
- An even-handed approach has been followed;
 - Performance measures are clearly defined; and
 - At cost requirements have been met where applicable.
- 7.15.5. It is the responsibility of the trust to publish on the trust website the relevant business and pecuniary interests of members, trustees, and accounting officers. The trust has discretion over the publication of the interests of any other individual named on the register.
- 7.15.6. As a trust, it is the responsibility of each academy to publish on their academy website, the relevant business and pecuniary interests of LAB members and the Headteacher. The academy has discretion over the publication of the interests of any other individual named on the register.
- 7.15.7. It is the responsibility of each LAB to inform the DO within 48 hours of any changes to their own LAB's business and pecuniary interests. The DO is responsible for updating a master register which will be held at Trust level.

7.16. Novel and Contentious Transactions

- 7.16.1. In accordance with the AFH novel, contentious and/or repercussive transactions must always be referred to ESFA for explicit prior authorisation. It is the responsibility of the board of trustees to obtain this authorisation.
- 7.16.2. The ESFA may also need to refer such transactions to HM Treasury for approval and so sufficient time should be allowed for proposals to be considered.
- 7.16.3. As defined by the AFH:
- Novel payments or other transactions are those of which the academy trust has no experience, or are outside the range of normal business activity for the trust.
 - Contentious transactions are those which might give rise to criticism of the trust by Parliament, and/or the public, and/or the media.
 - Repercussive transactions are those which are likely to cause pressure on other trusts to take a similar approach.

- 7.16.4. Any such expenditure that meets the definition must have prior approval from the board of trustees. It is therefore the responsibility of the headteacher at academy trust level and the DF at the central trust level to obtain such approval to allow sufficient time for proposals to be considered.

7.17. Irregular Transactions

- 7.17.1. Irregular transactions are transactions that do not form part of the charitable activities of the trust such as an employee using academy funds for personal expenditure and any such expenditure is strictly prohibited.
- 7.17.2. Where any such expenditure has occurred, this must be reported to the DF within 24 hours of having been identified who will then determine the appropriate course of action.
- 7.17.3. The board of trustees must also be made aware of any such expenditure at the earliest convenience.

8. BANKING

8.1. Access to The Online Banking System

- 8.1.1. The trust is responsible for selecting the banking institution and negotiating the terms and conditions.
- 8.1.2. If an employee at an academy require setting up as a user on the online banking system, or any changes are required their existing user's access and permissions, authorisation must be provided by the headteacher of that academy to the DF by email. The DF will then action the request as appropriate and provide confirmation to the headteacher once completed.
- 8.1.3. Once an employee leaves from one of the academies, they must be removed from the online banking system from the employee's last day of work. Authorisation for this removal must be given by the headteacher of that academy to the DF by email as soon as they become aware of such an instance (e.g. employee gives formal notice of leaving employment). The DF will then action the request as appropriate and provide confirmation to the headteacher once completed.
- 8.1.4. The stipulations set out also applies to any employees leaving the central trust but it is the responsibility of the employees line manager to inform the bank within 7 working days of leaving the organisation and have the employee access removed.
- 8.1.5. Where the access rights of the headteacher require removing due to a change in employment then authorisation must be provided by the Chair of the LAB for that academy to the DF by email along with the details of the incoming headteacher. The DF

will then action the request as appropriate and provide confirmation to the Chair of the LAB once completed.

- 8.1.6. Where a new user is required to be set up on the online banking system or any changes are required to existing user's access and permissions for employees at the central trust, authorisation must be provided by the line manager of the applicable employee to the DF by email. The DF will then action the request as appropriate and provide confirmation to the line manager once completed.
- 8.1.7. Where there has been a change in the DF, any changes in user access to the online banking system and authorised signatories must be authorised by the DO to then be actioned by the DF.
- 8.1.8. Where there has been a change in the CEO or trustees and any changes in user access to the online banking system and authorised signatories is required, authorisation must be provided by the Chair of the board of trustees to the DF by email. The DF will then the request as appropriate and provide confirmation to the Chair of the board of trustees once completed.
- 8.1.9. The DF reserves the right to make any necessary enquiries in to such requests and refuse any requests if deemed appropriate. The issuer of the request will receive communications within 48 hours justifying the reasons for any such action.

8.2. Opening or Closing Bank Accounts

- 8.2.1. An academy must not hold any bank accounts.

8.3. Cash and Cheque Deposits

- 8.3.1. A deposit must be entered on a copy paying-in slip with the following details:
- The amount of the deposit; and
 - A reference (for example the number of the receipt or the name of the debtor).
- 8.3.2. The SBM is responsible for updating the accounting system within 2 working days for deposits placed.

8.4. Payments and Withdrawals

- 8.4.1. All cheques and other instruments, such as online payments like BACS, authorising the withdrawal from the trust bank account will bear two signatures from the authorising signatures/electronic signatures in line with the Authorisation Limits.

- 8.4.2. This provision applies to all accounts, public or private, operated by or on behalf of the governing body of the academy including funds held in trust. Authorised signatories must not sign a cheque relating to goods or services for which they have also authorised the expenditure.
- 8.4.3. The SBM at academy level or DF at central trust level are responsible for updating the accounting system within 2 working days for any payments or withdrawals which are not related to the payment of a supplier or which, in exceptional circumstances, do not follow the usual process for the payment of suppliers.
- 8.4.4. Where cheques issued remain uncleared for more than three months, these must be investigated by the DF at central trust level in case it needs cancelling and reissuing.
- 8.4.5. If a cheque needs to be cancelled, then the DF at central trust level is responsible for making the appropriate request to the banking provider and ensuring the cheque stubs denotes that the cheque has been cancelled.
- 8.4.6. Any cheques which are older than six months must be cancelled and reversed on the trust accounting system.

8.5. Direct Debits and Standing Orders

- 8.5.1. It is the responsibility of the headteacher at academy level and the DF at central trust level to agree that the academy may use direct debit arrangements.
- 8.5.2. The SBM at academy level and the DF at central trust level must keep a record of each direct debit set up, listing payment details, dates and length to run.
- 8.5.3. VAT can be re-claimed, provided the supplier submits a valid VAT invoice.
- 8.5.4. Direct debits must be reconciled on a monthly basis by the central finance team as part of the bank reconciliation process.
- 8.5.5. Standing orders are prohibited by trust and therefore no such arrangements must be entered into either at academy or central trust level.

8.6. BACS Payments

- 8.6.1. BACS payments are the preferred method for paying suppliers and it is the responsibility of the central trust team to prepare BACS payments on a weekly basis.
- 8.6.2. A suggested payments run report must be generated from the accounting system which will show the invoices due for payment.

- 8.6.3. This suggested payments run report is reviewed by the central finance team marking which invoices are to be paid.
- 8.6.4. A second suggested payments run report is then run which will only include those invoices marked for payment. This second report along with the documentation for bank details is reviewed at central trust level, signed and dated.
- 8.6.5. The same report is then authorised at central trust level, signed and dated.
- 8.6.6. The BACS file is then generated from the accounting system, printed and provided at central trust level along with documentation showing the bank details for any new suppliers or changes to existing suppliers. This printed BACS report is reviewed, signed and dated by the DF as appropriate.
- 8.6.7. Where the report is originally generated by the DF then the review must be performed by the CEO as appropriate.
- 8.6.8. It is the responsibility of the central finance team to process the approved BACS payment file through the online banking system. The BACS file will then be authorised in accordance with the bank mandate and required authorised signatories.

8.7. Other Online Payments

- 8.7.1. The trust has the ability to use other forms of online payments including:
- Faster payments;
 - CHAPS; and
 - Foreign monies.
- 8.7.2. Of the above, faster payments will be the more commonly used transaction type and any such payments via this route must follow the procedures set out in s8.6.8.
- 8.7.3. Where a same day payment is required, CHAPS is the only available method but may incur a charge from the banking provider. Authorisation from the headteacher at academy level or DF at central trust level must be given prior to any CHAPS payments being set up and processed. Once authorisation has been given the central finance team will process the payment.
- 8.7.4. Where a payment in a foreign currency is required, the headteacher of the academy must obtain authorisation from the DF for any such payment being set up and processed. Once authorisation has been given, the payment will be processed by the central trust finance department. The DF will then provide confirmation to the headteacher once completed.

8.8. Bank Reconciliations

8.8.1. The central finance team must ensure bank statements are received regularly and that reconciliations are performed for each calendar month by the 20th working day of the next calendar month (e.g. bank reconciliation for June to be completed by 20th July). Reconciliation procedures must ensure that:

- All bank accounts are reconciled to the academy's cash book;
- Reconciliations are prepared by the Finance Department;
- Details for any unreconciled items are included in the reconciliation;
- Signed and dated by the preparer;
- Reconciliations must subject to an independent monthly review carried out by the DF or CEO and are signed and dated by that individual; and
- Adjustments arising are dealt with promptly.

8.9. Operating with More Than One Bank Account

8.9.1. Where more than one bank is in operation either by the central trust or the academy (e.g. school fund bank accounts) then the procedures set in s5 must be applied in their entirety from the control of access to the processing of any transactions.

8.10. Treasury Management

8.10.1. The DF at central trust level is responsible for preparing cash flow forecasts to ensure the trust has sufficient funds available to cover day-to-day operations.

8.10.2. These forecasts must be presented to the board of trustees at least three times a year.

8.10.3. When producing cash flow forecasts, if significant balances can be foreseen, steps will be taken to invest the surplus funds.

8.10.4. The trust does not currently have any pooling arrangements in place and therefore any investments are the responsibility of the trust board taking into consideration the relevant risks and rewards of any arrangement and in accordance with written procedures approved by the trust under a separate Investment Policy.

9. CASH HANDLING

9.1. Petty Cash

9.1.1. The SBM is responsible for the management of petty cash claims and will ensure:

- All claims are completed and authorized by the appropriate member of delegates staff in school.
 - Make reimbursements only on the petty cash claim form
 - The expense is approved prior to claiming by the member of staff.
 - All measures have been taken prior to claiming, expenses should be placed either via purchase order or via school commercial card.
- 9.1.2. There is a reimbursements of staff expenses form. This form must be used and authorised at academy level prior to submission to the central team for processing.
- 9.1.3. The central finance team will each week reimburse petty cash expenses to the recipient via BACS
- 9.1.4. Copies of all petty cash claims/staff expenses should be held with receipts in schools and copies should be emailed to the central team for reimbursement.
- 9.1.5. Limit of £50 per claim unless preapproved by the Headteacher or DF prior to expense being made.

9.2. Cash Receipts

- 9.2.1. Cash receipts must only be received by the finance department, counted and a physical receipt given in return. No other employees will accept cash, except for the headteacher, in the absence of the finance department.
- 9.2.2. This receipt must then be recorded on a separate physical banking sheet and kept in the safe until ready to bank, which must be at least once a week, and in accordance with safe insurance limits.
- 9.2.3. At no point will cash be left unattended outside of the safe.
- 9.2.4. The cash that is left in the safe must be within the insurance limits at all times.
- 9.2.5. When the cash is ready to be banked each week, the cash will be removed from the safe, counted by two individuals and reconciled to physical banking sheet. A deposit slip will then be completed in accordance and placed in a sealed envelope back in the safe until either physically banked or collected via a cash collection service the same day.
- 9.2.6. Where a deposit slip has been completed, the cash must be banked the same day and not left in the safe until a later date.

10.CHARGE CARDS AND E-PROCUREMENT

10.1. Managing the Use of Charge Cards

- 10.1.1. Charge cards linked to a trust bank account are issued to personnel under the Scheme of Delegation for the purpose of paying for goods and services for the use of the trust only.
- 10.1.2. The headteacher of each academy is responsible for authorising any requests for new charge card holders and removing existing cardholders. The completion of the appropriate documentation must be approved by DF.
- 10.1.3. Where a cardholder is removed, the cardholder must sign and date to confirm the card has been returned. This must be countersigned by the DF, or in their absence the CEO.
- 10.1.4. Only the cardholder is permitted to use the charge card and is responsible for its security the protection of any data enabling its use.
- 10.1.5. Any cash withdrawals or personal expenditure, even if the trust is reimbursed at a later date, is strictly prohibited.
- 10.1.6. There is no trust template for the Charge Card Security and Appropriate Use Statement therefore each academy and the central trust are responsible for ensuring an appropriate template is used which incorporates:
- Charge card number;
 - How to ensure the protection of any data enabling its use;
 - How to prevent the loss or theft of the card;
 - What to do if the card is lost or stolen;
 - Appropriate use with specific reference to cash withdrawals and personal expenditure being strictly prohibited;
 - All expenditure requiring prior authorisation via a signed PRQ; and
 - Valid VAT receipts must be retained for all expenditure.
- 10.1.7. Each cardholder must sign and date the Charge Card Security and Appropriate Use Statement upon receipt of the charge card.
- 10.1.8. A PRQ must be raised and authorised, prior to any purchase being made on the charge card. The authorised PRQ will be passed to the finance department who will raise an order on the accounting system within 2 working days. This is an internal order for control purposes only and therefore will not need sending to the supplier.
- 10.1.9. Where a charge card has been lost or stolen, the cardholder must notify the DF as soon as they become aware. The DF must then immediately contact the banking provider to cancel the charge card and report the situation to the trustees.

10.1.10. The procurement of goods and services through the use of charge cards will be kept to a minimum and monitored by the DF.

10.2. Reconciliation of Charge Cards

10.2.1. The SBM at academy level or the DF at central trust level must ensure statements are received regularly for each charge card and that reconciliations are performed for each calendar month by the 20th working day of the next calendar month (e.g. bank reconciliation for June to be completed by 20th July). Reconciliation procedures must ensure that:

- Each transaction is matched against the relevant PRQ and purchase order raised in s7.7;
- When matched the transactions will be posted to the accounting system via the cashbook;
- VAT can only be reclaimed on transactions with a valid VAT receipt;
- All charge cards are then reconciled to the academy's cash book;
- Reconciliations must be subject to an independent review carried out by the central finance team.

10.2.2. Once the reconciliation has been completed, the SBM at academy level or the DF at central trust level will cancel any purchase orders on the accounting system that relate to the reconciled transactions. This will remove the commitments from the accounting system ensuring that transactions are not duplicated within any budget monitoring reports.

11. PAYROLL

11.1. New Contracts

11.1.1. Payroll forms the largest element of the school budget and it is therefore essential that financial procedures and internal controls in relation to payroll are properly implemented.

11.1.2. All payroll transactions relating to trust staff, permanent or casual, will be processed through the payroll system. Payments for employment will not be made through any other mechanism.

11.1.3. Each academy within the trust and the central trust level will act in accordance with the Teachers' Pay Policy and Support Staff Pay Policy.

11.1.4. It is the responsibility of the LAB at academy level or the board of trustees at central trust level to authorise the appointments for temporary or permanent employment.

11.1.5. It is the responsibility of the headteacher at academy level and the DF at central trust level to:

- Action, when authorised by the LAB or board of trustees as applicable, any new appointments for temporary or permanent employment;
- Inform payroll of any new employee appointments within 48 hours of the offer being accepted by the new employee; and
- Inform payroll of any new employee contracts.

11.1.6. The SBM at academy level and the finance department at central trust level are responsible for updating the new employee contract details on a timely basis on:

- The HCSS budgeting software;

11.2. Changes to Contracts

11.2.1. During the spring term each year, the SLT and SBM will review staffing requirements for the following academic year and propose any changes. These proposals will be reviewed and approved by the finance committee.

11.2.2. The finance committee is responsible for authorising the following salary changes:

- Staffing structure changes;
- Performance related pay progression; and
- Pay awards for support staff.

11.2.3. It is the responsibility of the headteacher at academy level and the DF at central trust level to:

- Action any changes to contracts as authorised for academy level changes and as authorised by the CEO at central trust level;
- Inform payroll of any changes to contracts no later than the 7th of the month in which the changes need to take place (e.g. changes need to be reflected in July pay therefore the payroll provider must be informed of the changes on or before 7th July); and
- Inform payroll of any changes to contracts.

11.2.4. The SBM at academy level and the finance department at central trust level are responsible for updating the changes in contract details on a timely basis on:

- The HCSS budgeting software;

11.2.5. The SBM, in collaboration with the admin officer, at academy level and the DF at central trust level are also responsible for keeping the staff personnel 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

11.3. Claims for Additional Hours

11.3.1. Claims for additional hours can form a significant cost for the trust and therefore need to be monitored closely and on a regular basis.

11.3.2. Where additional hours need to be claimed by an employee, they must complete the online Liberata Mercury portal for the preceding month which must be authorised by the employees line manager.

11.3.3. Any additional hours received after the 7th of the month will not be processed until the following month (e.g. if the claim form for June is received on or after the 8th July then it will not be processed and paid until August).

11.4. Staff Absence

11.4.1. Payroll must be notified of any staff absence using the absence recording system and in accordance with the agreed responsibilities defined within that system via the Liberata Mercury Portal.

11.5. Checking Payroll Reports

11.5.1. The SBM at academy level and the DF at central trust level are responsible for ensuring that the payroll reports:

- Include only bona-fide employees;
- Include employee details which are in accordance with their conditions of employment;
- Deductions, including income tax, national insurance and pensions, are properly administered;
- Payments that are to be made are only in respect of services provided to the academy; and
- Include only amendments to the payroll which have properly processed and authorised such as contract changes and claims for additional hours.

- 11.5.2. The SBM at academy level and the DF at central trust level must sign and date whatever tool they use to perform the payroll checks to evidence that these checks have been completed.
- 11.5.3. The headteacher at academy level and the CEO at central trust level must review the checks performed and then signed and date the tool used to evidence that this review has taken place.
- 11.5.4. The DF will randomly select one employee each month from each academy and check the calculation of gross to net pay, in order to ensure that the payroll system is operating correctly.

11.6. Authorising Payroll Payments

- 11.6.1. Payroll costs will be set up with your HR provider and paid by BACS each month. It is important to ensure that there is enough money in the account to ensure payments can be processed.
- 11.6.2. All of the checks must be completed and then authorised by the DF at central trust level before authorisation can be given to the payroll provider to make the salary payments.
- 11.6.3. The headteacher at academy level and the DF at central trust level are responsible for ensuring that the appropriate checks have been completed and authorised in sufficient time for the payroll provider to process the salary payments.
- 11.6.4. These payroll payments must be processed to the accounting system as part of the bank reconciliation process each month if not before.
- 11.6.5. The payroll provider will then produce pay slips on a monthly basis and administered to employees via secure email, or in person where requested, on the 25th of each month.
- 11.6.6. Where not processed by the payroll provider, the SBM at academy level and the DF at central trust level are responsible for ensuring that the relevant monthly payments to HMRC and pension funds for the previous months' liabilities are made within the following deadlines:
 - Teachers' pension by the 5th of each month
 - Local government pension scheme by the 19th of each month
 - Unison fees by the 19th of each month
 - PAYE and NIC to HMRC and other deductions by the 20th of each month.

Where payments for the above are made by BACS these payments will need to be processed within two working days of the above deadlines.

11.7. Processing Payroll Journals

- 11.7.1. The payroll provider will provide the central trust with a breakdown of the transactions, both by employee and employment category (e.g. teaching staff, admin staff). These must be processed by employment category within the accounting system via a nominal journal.
- 11.7.2. To ensure that the costs are reflected in the budget monitoring reports and payroll control accounts can be reconciled on a monthly basis this journal must be processed by the 10th of the following calendar month (e.g. the journal for the June payroll must be posted by the 10th July).

11.8. Staff Severance and Compensation Payments

- 11.8.1. The AFH refers to redundancy and settlement agreements as “special payments”. They are non-statutory or non-contractual payments and so need to be subject to greater control than other payments.
- 11.8.2. Non-statutory or non-contractual payments should not be made where they could be seen as a reward for failure, such as gross misconduct or poor performance. The only acceptable rationale in the case of gross misconduct would be where legal advice is that the claimant is likely to be successful in an employment tribunal claim because of employment law procedural errors. In the case of poor performance, an acceptable comparison would be the time and cost of taking someone through performance management and capability procedures.
- 11.8.3. If an academy or the central trust is considering making any such payments above the statutory or contractual entitlements, then to comply with the AFH the headteacher at academy level or the CEO at central trust level must present a business case to the board of trustees which considers the following issues:
- That the headteacher and LAB at academy level or the DF and CEO at central trust level reasonably consider the proposed payment to be in the interests of the trust;
 - Whether such a payment is justified, based on a legal assessment of the chances of the trust successfully defending the case at employment tribunal. If there is a significant prospect of losing the case then a settlement may be justified, especially if the costs incurred in maintaining a defence are likely to be high. Where a legal assessment suggests that the trust is likely to be successful, then a settlement should not be offered; and
 - If the settlement is justified, the trust would then need to consider the level of settlement. This must be less than the legal assessment of what the relevant body (e.g. an employment tribunal) is likely to award in the circumstances.
- 11.8.4. Non-statutory or non-contractual transactions along with a business case must always be referred by the headteacher at academy level or the CEO at central trust level to the

board of trustees for prior authorisation before any such payments are made or any binding settlement offer is made to staff and to allow sufficient time for proposals to be considered. This will ensure compliance with the AFH.

- 11.8.5. Where non-statutory or non-contractual payments are expected to be £50,000 or more the board of trustees must obtain prior approval from the ESFA in accordance with AFH before any binding settlement offer is made to staff.
- 11.8.6. The ESFA will also need to refer such transactions to HM Treasury and so the board of trustees should allow sufficient time for proposals to be considered.

11.9. Ex Gratia Payments

- 11.9.1. Ex gratia payments are another type of transaction that go beyond statutory or contractual cover, or administrative rules. Annex 4.13 of HM Treasury's Managing Public Money provides examples, which include payments to meet hardship caused by official failure or delay, and payments to avoid legal action on the grounds of official inadequacy.
- 11.9.2. Ex gratia payments are separate to other classes of special payment such as staff severance payments and compensation payments. Statutory and contractual payments made to academy staff in accordance with the trust's pay and conditions policy would not be ex gratia.
- 11.9.3. Ex gratia transactions along with a business case must always be referred by the headteacher at academy level or the CEO at central trust level to the board of trustees for prior authorisation to ensure compliance with the AFH. This is because the trust must obtain prior approval from the ESFA for any such transactions.
- 11.9.4. It is the responsibility of the board of trustees to obtain prior approval from the ESFA.
- 11.9.5. The ESFA may require HM Treasury approval dependent on the nature of the transaction so the board of trustees should allow sufficient time for proposals to be considered.
- 11.9.6. If academies or the central trust are in any doubt about a proposed transaction they should inform the DF who will seek prior advice from the board of trustees and/or ESFA where applicable.

12. FIXED ASSETS

12.1. Fixed Asset Purchases

- 12.1.1. Assets acquired using capital grants need to be authorised in line with the scheme of delegation and the fund / grant used to purchase the asset needs to be detailed on the fixed asset register.

- 12.1.2. Assets acquired using revenue funds need to be authorised in line with the scheme of delegation and the fund / grant used to purchase the asset needs to be detailed on the fixed asset register.

12.2. Fixed Asset Register

- 12.2.1. All items purchased with a value over the trust's capitalisation limit of £5,000, which satisfy the definition of a fixed asset, must be entered in to the academy's fixed asset register at academy level or the central trust's fixed asset register at central trust level.

- 12.2.2. Assets brought on separate invoices within one financial year but are in the same fixed asset category that exceed the capitalisation limit can be grouped together and added to the fixed asset register.

- 12.2.3. The fixed Asset register must contain:

- Asset category;
- Date purchased;
- Description of asset;
- Which fund / grant used to purchase the asset;
- Useful life of asset (months);
- Cost of the asset; and
- Ledger code & cost centre where the invoice has been paid.

- 12.2.4. Physical counts against the register must be undertaken by the SBM at academy level and the finance department at central trust level at least half-yearly with any discrepancies between the physical count and the register being investigated promptly.

- 12.2.5. Where the discrepancy is over £500 this must be reported to the headteacher, LAB and DF at academy level or the DF at central trust level.

- 12.2.6. All assets owned under the capitalisation value must be recorded on a separate inventory for insurance purposes and must be updated on an annual basis.

12.3. Disposals

- 12.3.1. The fixed asset register must be reviewed monthly by the SBM at academy level and the DF at central trust level to ensure the continued existence of all fixed assets.

- 12.3.2. Where assets have become obsolete or been disposed of they must be recorded as a disposal and accounted for within the finance system.

- 12.3.3. Items which are to be disposed of by sale or destruction must be authorised for disposal by the headteacher at academy level or the DF at central trust level, and where significant must be sold following competitive tender.
- 12.3.4. If the academy proposes to dispose of an asset, which was purchased with the aid of grant funding, or dispose of any land or buildings, prior approval must be obtained from the DF.
- 12.3.5. In accordance with the AFH prior written approval from the ESFA must be obtained for the disposal of freehold land and buildings and it is the responsibility of the board of trustees to obtain this approval.

12.4. Depreciation

- 12.4.1. Depreciation must be calculated in line with the trust's depreciation policy as follows:

Asset Group	Depreciation Method
Buildings	50 years
ICT	5 years
Land	125 years
Fixtures and Fittings	25 years

- 12.4.2. Depreciation will be calculated to the period August each year by the central trust finance department.
- 12.4.3. Depreciation will be posted to the finance system on an annual basis as part year-end process by the central trust finance department.

13. STOCK

- 13.1.1. Where any academy holds stock of items for re-sale, a stock register detailing stock held must be maintained. This must include the following details:
- Item Description (including size);
 - Cost per item (A);
 - Quantity of items held (B);
 - Total cost per item (A x B).
- 13.1.2. A stock take must be carried out on 31st August each year but it is recommended that it is also carried out at regular intervals during the year.
- 13.1.3. It is the responsibility of the SBM to conduct the stock take which includes physical counts against the register. Any discrepancies between the physical count and the register must

be investigated promptly and any discrepancies over £250 reported to headteacher, LAB and DF.

- 13.1.4. The central trust finance department will process stock adjustments annually for each academy as part of the year-end process.

14. MONTH END

14.1. Reconciliation of Control Accounts

- 14.1.1. Before any month end reconciliations can be completed, it is the responsibility of the DF at central trust level to ensure that the following transactions types have all been processed for that month where possible:

- Customer invoices;
- Cash receipts and deposits;
- Grant and non-invoiced income received direct into the bank;
- Supplier invoices;
- Supplier payments;
- Non-supplier payments, for example payroll; and
- Payroll journal.

- 14.1.2. It is the responsibility of the DF at central trust level to ensure the following control accounts have been reconciled to supporting evidence for that month:

- Trade debtors;
- Other debtors (excluding VAT);
- VAT debtor;
- Bank accounts;
- Petty cash
- Charge cards
- Trade creditors;
- Payroll control accounts; and
- Other creditors.

- 14.1.3. These reconciliations must be completed by the 20th of each month following the month to which they relate (e.g. reconciliation of control accounts for June to be completed by 20th July). This process forms part of the Monthly Reporting (MR).

- 14.1.4. The finance department at central trust level will review the control accounts of each constituent academy as part of the submission of the MR.

14.2. VAT126 Report

- 14.2.1. It is the responsibility of the central trust finance team to run the VAT126 report from the accounting system.
- 14.2.2. These reports are to be submitted to the DF for approval before submission.

14.3. Closing Accounting Periods

- 14.3.1. It is the responsibility of the central trust team to close the accounting period within the accounting system for the following sections:
- Sales daybook;
 - Purchase daybook;
 - Cashbook; and
 - Stock.
- 14.3.2. The accounting period for these sections must be closed by the 20th of each month following month to which they relate (e.g. June period to be closed by 20th July).
- 14.3.3. It is the responsibility of the finance department at central trust level to close the accounting period for the Nominal Ledger for all the schools in the trust. This must be completed by the 30th of each month following the month to which it relates (e.g. Nominal Ledger accounting period for June to be closed by 30th July).

15. YEAR END

15.1. Running the Year End Process

- 15.1.1. Before year end procedure can be run the closure of all periods must be completed.
- 15.1.2. It is the responsibility of the central trust finance team to run the year end process for each academy and the central trust. This will process will be completed once the year-end audit pack has been submitted to the external auditors, usually early October each year.
- 15.1.3. As part of the year-end process the finance department at central trust level will complete the following for each academy and the central trust:
- Complete the year-end process on the accounting system;
 - Process journals reversing all applicable year-end adjustments, for example accruals and prepayments;
 - Opening all accounting periods for all sections within the accounting system; and

- Upload the budget for the new financial year in to the accounting system.

15.1.4. The finance department at central trust level will communicate to each academy when the process has been completed.

15.1.5. Each academy and the central trust can continue to process transactions as normal in the new financial year whilst the year-end process is being completed for the prior financial year. These transactions will sit in the deferred postings list on the accounting system until this process has been completed and this will only impact the data pulled through to reports generated from the accounting system. It has no impact on the day to day operational aspects of the trust.

15.2. Reporting on Balances

15.2.1. It is the responsibility of the DF to communicate to each academy headteacher their draft closing balances upon completion of the year-end audit pack and by no later than the 31st October each year.

15.2.2. The headteacher of each academy must report this draft figure to their LAB at the next available meeting and this must be documented in the minutes.

15.2.3. Once the trusts financial statements for the year have been signed off by the board and trustees and submitted to the ESFA, the DF is then responsible for communicating to each academy headteacher the final closing balance by no later than the 31st January each year. As part of this communication the DF will provide an analysis and explanation for any changes to draft figure communicated as part of s16.2.1.

15.2.4. The headteacher of each academy must report this final figure to their LAB at the next available meeting and this must be documented in the minutes.

16.MAINTENANCE OF THE ACCOUNTING SYSTEM

16.1. User Access

16.1.1. Where a new user requires access to the accounting system or an existing user requires different permission the process is the same as those set out for user access to the online banking system.

16.2. Security and Back Up of Data

16.2.1. The security of an individual's user access details to the accounting system are the responsibility of the individual to whom those details relate to.

- 16.2.2. Only that individual must have knowledge of those details and no other individual can use those details to access the accounting system.
- 16.2.3. It is expected that once the user has successfully logged in to the accounting system they will be one who then uses the accounting system.
- 16.2.4. On the rare occasion that another individual who does not have their own user access to the accounting system requires access (for example, contracted support from a third party), they must only use the accounting system under the direct supervision of the user at all times.
- 16.2.5. Data is backed up on a regular basis by the provider of the accounting system and in accordance with the terms and conditions with that provider. It is the responsibility of the DF to manage the performance of the provider in this respect and deal with any issues that may arise.

16.3. Chart of Accounts

- 16.3.1. The trust stipulates the chart of accounts to be used by each academy and the central trust in respect of the nominal ledger and cost centre structure.
- 16.3.2. Each academy and the central trust have the flexibility to determine their own department and analysis code structure.
- 16.3.3. Where any changes to the department and/or analysis code structure is required the SBM of the academy must request this by email to the DF.
- 16.3.4. The DF will action the request and confirm its completion to the SBM of the academy within 14 days.
- 16.3.5. The DF reserves the right to make any necessary enquiries in to such requests and refuse any requests if deemed appropriate. The issuer of the request will receive communications within 48 hours justifying the reasons for any such action.

17. TAXATION

17.1. VAT

- 17.1.1. The trust is not currently VAT registered and it is the responsibility of the DF to review this VAT registration limit of the trust on a regular basis.
- 17.1.2. A proper VAT invoice is the only basis on which VAT can be reclaimed. It contains the following elements:

- The supplier's name, address and VAT registration number
- The date goods/services were supplied
- The name and address of the school
- The goods or services supplied
- Amount payable excluding VAT
- Amount of VAT
- VAT rate

17.1.3. The Trust will pay invoices gross of VAT and are then required to submit a VAT126 form to HMRC for the prior month by the 20th of the following month (e.g. June VAT126 claim submitted by 20th July).

17.1.4. The VAT126 report required is automatically generated by the finance system and it is the responsibility of the SBM at academy level and the finance team at central trust level to ensure that the information contained within this report is accurate. This includes ensuring that VAT registration number for each supplier is recorded in the system to enable the VAT to be reclaimed.

17.1.5. The trust DF, supported by the finance team at central trust level, is responsible for consolidating and submitting to HMRC the VAT126 claim for the trust on a monthly basis.

17.1.6. Any VAT refund will be received at central trust level and the DF is responsible for reconciling this back to the finance accounting system.

17.2. Construction Industry Scheme (CIS)

17.2.1. Where applicable, the CIS is the responsibility of the DF to administer on behalf of the trust.

17.2.2. Where necessary the DF will request information from each academy and it is the responsibility of the SBM to ensure that this information is accurate and provided in a timely manner.

17.3. P11Ds

17.3.1. Form P11D (Expenses and Benefits) is a tax form filed by an employer for each employee who have been provided with expenses and/or benefits during the tax year (April to March). The deadline for this form to be filed with HMRC is 6th July.

17.3.2. It is the responsibility of the headteacher, supported by the SBM, at academy level to collate the information required for their academy's P11Ds and to pass this information on the DF by no later than 31st May each year. Alternatively, where no expenses or benefits have been provided, they are responsible for confirming this to the DF by the same deadline.

- 17.3.3. The DF is responsible for collating the required information for the central trust and then collating all information for the submission of the trust return by the deadline of 6th July.

17.4. Corporation Tax

- 17.4.1. As mentioned previously the trust is both a company and a charity and is therefore subject to corporation tax rules on non-business activities.

- 17.4.2. It is the responsibility of the DF to collate the required information for the corporation tax return and to obtain professional advice where deemed necessary. They are also responsible for ensuring that the corporation tax return is filed with HMRC by the applicable deadline as follows:

- By 1st June (9 months and one day after the end of the financial year):
 - Pay corporation tax; or
 - Tell HMRC that the trust doesn't owe any corporation tax; and
- By 31st August – file the trust's tax return for the previous financial year (12 months after the end of the financial year).

- 17.4.3. Where necessary the DF will request information from each academy and it is the responsibility of the SBM to ensure that this information is accurate and provided in a timely manner.

18.RECORD KEEPING

- 18.1.1. All financial transactions of the academy trust are recorded and retained including, but not limited to, the following:

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

- 18.1.2. The DF is responsible for keeping up-to-date records of the trust's financial state.

- 18.1.3. The SBM for each individual academy is responsible for keeping up-to-date records in relation to the finances of that academy.

- 18.1.4. Records will include the following information:

- Income and expenditure; identifying which transactions were cheques and which were cash payments;
- The income and expenditure for each activity, with the activity recorded as a budget heading;
- A balance sheet which identifies total income, expenditure and the balance for each budget heading;
- The total income and expenditure for the year;
- The balance and carry forward from the previous year; and
- Identified profit and loss, any causing concern is investigated.

18.1.5. Each academy has its own set of financial records for day-to-day operational purposes and budget management.

18.1.6. All financial records will be kept securely in each individual academy's admin office.

18.1.7. In accordance with statutory limits, records must be kept for the current year and the previous six years.

Revised and approved by Finance and Audit Committee 26.04.2021