



# Financial Procedures Manual

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## Statement of intent

It is important for Oak Learning Partnership to demonstrate that they do not benefit personally from decisions they make with regards to the spending of public money. To ensure that the financial standing of the trust cannot be brought into disrepute, this policy will be implemented by all schools within the trust, guaranteeing consistency in financial procedures across the schools.

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

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

## 1. Legal framework

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

- Employment Relations Act 1999
- Companies Act 2006
- The Equality Act 2010
- The Education (School Teachers' Appraisal) (England) Regulations 2012 (as amended)
- ESFA (2020) 'Academies financial handbook 2020'
- ESFA (2019) 'Declare or seek approval for related party transactions: summary guidance'
- DfE (2019) 'Good estate management for schools'

1.2. This policy operates in conjunction with the following school policies:

- Teachers' Pay Policy
- Charging and Remissions Policy
- Conflicts of Business and Pecuniary Interest Policy
- Tendering and Procurement Policy
- Gifts, Hospitality and Anti-Bribery Policy
- Data Protection Policy
- Anti-fraud and Corruption Policy
- Articles of Association

## 2. Roles and responsibilities

2.1. The Members are responsible for:

- Appointing, by special resolution, new Members or removing existing Members.
- Appointing Trustees in line with the trust's Articles of Association.
- Appointing the trust's auditors and receiving the trust's audited annual accounts.

- Where necessary, by special resolution, issuing direction to the Trustees to take a specific action.
- Appointing the trust's auditors and receiving (but not signing) the trust's audited annual accounts.
- Conducting the business of the trust in accordance with company and charity law and adhering to the trust's funding agreement with the Secretary of State.
- Members will not be employees of the trust or occupy staff establishment roles on an unpaid voluntary basis.

## 2.2. The Board of Trustees is responsible for:

- Applying the highest standards of conduct and governance and taking full ownership of their duties.
- Complying with the trust's charitable objectives, with company and charity law, and with contractual obligations under the trust's funding agreement.
- Overseeing the financial performance of the trust.
- Ensuring that the trust's practices reflect the 'seven principles of public life' (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).
- Ensuring that funds are received according to the school's funding agreement and are used only for the purposes intended.
- Ensuring the trust complies with any financial notices to improve (FNtI) issued to it by the ESFA and that these are published on the trust's website within statutory timeframes.
- Approving the annual budget, consolidated budget, central budget and each school's budget.
- Ensuring the trust has sound internal control, risk management and assurance processes.
- Ensuring that their decisions about levels of executive pay, including salary and benefits, follow a robust evidence-based process and are a reasonable and defensible reflection of the individual's role and responsibilities.
- Overseeing the financial performance of the organisation and making sure its money is well spent.
- Approving the trust's three-year financial plan.
- Ensuring an appropriate scheme of delegation is in place.
- Ensuring assets are effectively managed.
- Approving purchase orders, invoices and contracts over £100,000.
- Approving budget virements over £20,000.
- Ensuring accurate accounting records are maintained.
- Ensuring regularity and propriety in use of the trust's funds, and achieve economy, efficiency and effectiveness.
- Taking ownership of the trust's financial sustainability and its ability to operate as a going concern.
- Appointing key positions and roles relating to finance, including the CFO, accountants and auditors.
- Appointing a Finance, Risk and Audit Committee to advise on the adequacy of financial and other controls and risk management

arrangements, direct a programme of internal scrutiny, and consider the results and quality of external audit.

- Receiving the annual audit report.
- Providing the Members with the trust's audited annual report and accounts.
- Approving the mandates for the operation of trust bank accounts and purchasing cards.
- Approving severance and compensation payments up to £50,000, after which they must seek the ESFA's approval.
- Approving property lettings over one year and/or £25,000.
- Appointing, in writing, a Chief Executive Officer (CEO).
- Appointing an appropriate Accounting Officer that is the Chief Executive Officer.
- Obtaining prior approval from the ESFA if it is proposing, in exceptional circumstances, to appoint an Accounting Officer who will not be an employee of the trust.
- Ensuring the roles of Chief Executive Officer and Accounting Officer do not rotate.
- Appointing an appropriately qualified and/or experienced Chief Financial Officer (CFO).
- Obtaining prior approval from the ESFA if it is proposing, in exceptional circumstances, to appoint a CFO who will not be an employee of the trust.
- Referring to the competency framework for governance to determine if any skills gaps are apparent and taking steps to mitigate these.
- Appointing the Headteacher for each school or delegating this responsibility to the relevant committee.
- Referring and adhering to the six features of effective governance as set out in the 'Governance handbook'.
- Keeping the trust's approach to internal scrutiny under review, considering any changes to the trust's size, complexity or risk profile.
- Taking advice from the Finance, Risk and Audit Committee and ensuring there is an appropriate, reasonable and timely response by the trust's Executive Leadership team to findings by auditors, taking opportunities to strengthen systems of financial management and control.
- Appoint a Clerk to support the Board.
- Ensuring financial plans are prepared and monitored, satisfying itself that the trust remains a going concern and financially sustainable.
- Taking a longer-term view of the trust's financial plans consistent with the requirement to submit three-year budget forecasts to the ESFA.
- Explaining its policy for holding reserves in its annual report.
- Annual review of trust risk register.

### 2.3. The Accounting Officer is responsible for:

- Sharing the ESFA's 'Dear Accounting Officer' letter with the Members, Trustees, the CFO and other members of the Executive Leadership Team, arranging for it to be discussed by the Board of Trustees and taking action, where appropriate, to strengthen the trust's financial systems and controls.

- Achieving value for money and the best possible educational outcomes through the economic, efficient and effective use of resources.
- Approving purchase orders, invoices and contracts between £20,000 and £29,999.
- Ensuring regularity when dealing with items of income and expenditure in accordance with legislation, the terms of the trust's funding agreement and the 'Academies financial handbook' (AFH), and with the trust's internal procedures.
- Ensuring propriety with regards to expenditure and receipts, including standards of conduct, behaviour and corporate governance.
- Completing and signing a statement of regularity, propriety and compliance each year and submitting this to the ESFA with the audited accounts.
- The trust's financial affairs.
- Keeping full and accurate financial records.
- The management of opportunities and risks.
- Assuring the Board of Trustees that the trust is compliant with the AFH and the funding agreement.
- Informing the Board of Trustees, in writing, of any action or policy under consideration that is incompatible with the terms of the articles of association, funding agreement or the AFH.
- Informing the ESFA, in writing, where they have advised the Board of Trustees that they are in breach of the articles of association, funding agreement or AFH but the board has continued with their actions.

2.4. The CFO is responsible for:

- Acting as the Principal Finance Officer for the trust.
- Ensuring that the trust's financial position is managed at a strategic level within the framework for financial control determined by the Board of Trustees.
- Ensuring that all financial matters focus on the wider needs of the trust, rather than on any individual school.
- Working with internal auditors to provide assurance to the Finance, Risk and Audit Committee and Board of Trustees.
- Ensuring the annual accounts are properly presented and adequately supported by the underlying books and records of the trust.
- Challenging finance staff to ensure that value for money is routinely obtained.
- Ensuring effective financial policies are in place across the trust.
- Acting as an authorised signatory of the trust bank account and the bank accounts of the academies within the trust.
- Ensuring that forms and returns for the trust are sent in line with statutory timeframes.
- Approving purchase orders, invoices and contracts up to £20,000.
- Authorising virements to approved budgets up to £15,000.
- Liaising with the Headteacher and School Business Manager from each school regarding financial matters.
- Maintaining CPD and undertaking relevant ongoing training.
- Undertake spotchecks on banking reconciliations.

2.5. The trust's Finance, Risk and Audit Committee is responsible for:

- Reviewing the trust's consolidated budget, central budget and three-year financial plan, as well as making recommendations to the Board of Trustees regarding these key documents.
- Regularly monitoring expenditure and income against the budget and making any recommendations to the Board of Trustees.
- Ensuring appropriate insurance arrangements are in place for the trust.
- Implementing appropriate accounting policies.
- Ensuring an appropriate framework of internal financial controls is established.
- Ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 2006 and related ESFA guidance.
- Authorising changes to the personnel structure of each school.
- Writing off bad debts.
- Reviewing reports on the effectiveness of the financial procedures and controls of the trust and its constituent schools.
- Authorising budget virements up to £20,000.
- Authorising the disposal of assets over £5,000.
- Authorising formal tenders over £30,000.
- Ensuring the trust's annual summary report of the areas reviewed, key findings, recommendations and conclusions is submitted to the ESFA each year, and providing additional internal scrutiny reports if requested.
- Directing the trust's programme of internal scrutiny and reporting to the Board on the adequacy of the trust's financial and other controls and management of risks.
- Ensuring that risks are being addressed appropriately through internal security.
- Reviewing the external auditor's plan each year.
- Reviewing the annual report and accounts.
- Reviewing the external auditor's findings and actions taken by the trust's managers in response to those findings.
- Assessing 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.
- Producing an annual report for the committee's conclusions to advise the Board of Trustees and Members, including recommendations on the reappointment, dismissal or retendering of the external auditor, and their remuneration.

2.6. Local Governing Bodies (LGBs) are responsible for:

- Reviewing the budget for their school and making recommendations for approval to the Board of Trustees.
- Ensuring that any grants are used for the purposes intended.
- Reviewing the actual income and expenditure against the approved budget for their school and making recommendations to the Board of Trustees.
- Approving tenders up to £10,000 for the school.

- Approving budget virements of up to £5,000.
  - Making recommendations to the Board of Trustees in relation to the appointment, pay and contractual terms of members of the SLT in their school.
  - Approving recommendations from their school's Headteacher in relation to the appointment, pay and contractual terms of members of staff other than members of the SLT.
  - Appointing the School Business Manager in conjunction with the Headteacher.
- 2.7. The Clerk to the Board of Trustees must be someone other than a trustee, principal or chief executive of the trust.
- 2.8. The Clerk is responsible for:
- Ensuring the efficient functioning of the Board of Trustees by providing:
    - Administrative and organisational support.
    - Guidance to ensure the Board works in compliance with the appropriate legal and regulatory framework and understands the potential consequences of non-compliance.
    - Advice on procedural matters relating to the operation of the Board.
- 2.9. The Headteacher of each school is responsible for:
- Ensuring budgetary control within approved budgets.
  - Authorising contracts and orders, up to the amount stated in the authorisation limits in 7.13. and reporting decisions to the LGB.
  - Approving new staff appointments, except for senior staff positions.
  - Making recommendations to the LGB regarding staff pay and contractual conditions, other than members of the SLT.
  - Ensuring that draft budget papers are prepared for the consideration of the Finance, Risk and Audit Committee.
- 2.10. The Central Team Finance Manager is responsible for:
- Managing day-to-day financial issues, including the establishment and operation of the accounting system.
  - Maintaining effective internal controls.
  - Managing the trust financial position at a strategic and operational level within the framework for financial control determined by the Trust Board and LGB.
  - Drafting original and revised finance plans in cooperation with the Headteacher and with the support of the CFO.
  - Maintaining the accounting records.
  - Ensuring that purchase orders are raised prior to ordering goods/services, wherever possible, to aid effective budget monitoring and management.
  - Ensuring that payments are made to suppliers within 30 days after the date of the invoice, or within the terms of the individual supplier.
  - Monitoring the budget on a monthly basis.

- Ensuring the monthly completion of bank, petty cash and other reconciliations including
  - Sales ledger control account
  - Purchase ledger control account
  - Payroll control account
  - All suspense account, including trips, cashless catering, ParentPay
  - Bank and petty cash
  - Balance sheet
  - Purchasing cards
  - VAT
  - Fixed asset depreciation including accumulated depreciation

These reconciliations will be monitored and signed off on a monthly basis by the CFO.

- Monitoring cash flow during the month and liaising with the CFO regarding this, where necessary.
- Ensuring that proper checks and controls are in place to cover day-to-day activities in accordance with the financial regulations manual.
- Ensuring VAT is correctly accounted for.
- Accounting for prepayments and accruals over £2,000 in the monthly management accounts.
- Liaising with Halliday's Accountants in respect of any queries, and ensuring data is supplied for preparation of annual accounts within agreed timescales.

### **3. Financial oversight**

- 3.1. The trust takes full responsibility for its financial affairs, stewardship of assets and use of resources to maximise pupils' outcomes.
- 3.2. The Board of Trustees meets at least three times a year.
- 3.3. The Finance, Risk and Audit Committee meets at least three times a year.
- 3.4. Where the Board of Trustees meets less than six times a year, it will explain in its governance statement how effective oversight of funds was maintained with fewer meetings.
- 3.5. The Board of Trustees delegates financial scrutiny and oversight to the Finance, Risk and Audit Committee, which can support the Board in maintaining the trust as a going concern.
- 3.6. Constituent schools joining the trust will be asked to complete a financial management and governance self-assessment.

### **4. Budget setting**

- 4.1. The budget is a working document which may need revising throughout the year as circumstances change. Any significant revisions will be reported to the Finance, Risk and Audit Committee and the LGBs, as well as the Board of Trustees.

- 4.2. The budget planning process follows an annual planning cycle and consists of the following four phases:
  - Planning
  - Budget setting
  - Monitoring
  - Review
- 4.3. The budget process takes the following elements into account:
  - Forecasts of likely pupil numbers to estimate the amount of DfE grant available
  - Review of other income sources
  - Review of past performance against budgets
  - Identification of potential efficiency and budget containment actions
  - An annual review of expenditure headings to reflect known changes and expected variations in costs, such as pay increases, inflation or other anticipated changes
- 4.4. When reviewing and approving budgets for the trust, the Board of Trustees ensures the following:
  - That budget forecasts, for the current year and beyond, are compiled accurately, based on realistic assumptions and are reflective of lessons learned from previous years.
  - Pupil number estimates are challenged and that these underpin revenue projections, and review these on a termly basis.
  - An integrated approach to curriculum and financial planning is taken.
- 4.5. Each school within the trust will have an independent budget which will be managed by their LGB.
- 4.6. A balanced budget for the forthcoming financial year will be approved by the Board of Trustees, and this approval will be minuted.
- 4.7. The annual budget will reflect the best estimate of the resources available to the trust for the forthcoming year and will detail how those resources will be utilised, establishing clear links to support the objectives identified in school development plans.
- 4.8. Both medium-term and short-term financial plans are prepared for the trust and each of the schools in the trust.
- 4.9. The medium-term plan indicates how the trust's and each school's educational aims and other objectives are going to be achieved within the expected level of resources over the next three years.
- 4.10. The school development plan provides the framework for the annual budget.
- 4.11. Draft budgets will be presented to the Headteachers and LGB's Finance, Risk and Audit Committee, as well as to the Board of Trustees, together with a supporting report for approval of the Board of Trustees.
- 4.12. Once budgets are agreed, this will be communicated to all responsible budget holders to ensure they are aware of the overall budgetary constraints.

- 4.13. The Board of Trustees will notify the ESFA within 14 calendar days of proposing to set a deficit revenue budget.

## **5. Budget management and monitoring**

- 5.1. A continuous review of the aims and priorities of the strategy will be undertaken based on the monitoring and analysis of performance.
- 5.2. The Finance Manager is responsible for monitoring income and expenditure in the trust throughout the year.
- 5.3. A three-year budget forecast will be prepared when the budget for the current financial year is being set.
- 5.4. The Finance Manager will prepare monthly management accounts, setting out the trust's financial performance and position and including an income and expenditure account, variation to budget report, cash flows and balance sheet. The accounts will be shared with the Chair of Trustees and Chair of the Finance, Risk and Audit Committee every month and with other Trustees a minimum of six times a year, even if they do not meet in each of those months.
- 5.5. The Board of Trustees will consider the management accounts when it meets and will ensure appropriate action is being taken to maintain financial viability.
- 5.6. Any potential overspend against the budget will be discussed with the CFO before receiving approval.
- 5.7. The monitoring process will be effective and timely in highlighting variances in the budget so that differences can be investigated, and action taken where appropriate.
- 5.8. The Finance, Risk and Audit Committee will continually monitor the quality of the financial information presented to them to ensure that what is provided remains appropriate, particularly in terms of its timing, level of detail and narrative.
- 5.9. The trust will submit the following returns to the ESFA:
  - A budget forecast return outturn by 21 May
  - A three-year budget forecast return by 30 July

The returns will be approved by the Board of Trustees before submission to the ESFA.

- 5.10. Where the Board of Trustees has concerns about the trust's financial performance, it will act quickly to ensure the trust has adequate financial skills in place and consider whether additional financial reporting is required.

## **6. Cash management**

- 6.1. The trust has robust procedures in place to manage its cash position and will avoid becoming overdrawn on any of its bank accounts so that it does not breach restrictions on borrowing.

- 6.2. The Finance Manager will prepare cash flow forecasts to ensure that the trust has sufficient funds available to cover day-to-day operations.
- 6.3. When producing cash flow forecasts, if significant balances can be foreseen, steps will be taken to invest the surplus funds.
- 6.4. Details of monies held in the safe will reflect balances shown in the cash book.

## 7. Purchasing, procurement and returns

### Purchasing – purchase orders and non-order invoices

- 7.1. To maintain integrity concerning the use of public funds, the following general principles will be adhered to:
  - **Probity** – it must be demonstrable that there is no corruption or private gain involved in the contractual relationships of the trust.
  - **Accountability** – the trust is publicly accountable for its expenditure and the conduct of its affairs.
  - **Fairness** – all tenders dealt with by the trust are done so fairly and equally.
- 7.2. All schools within the trust will act in accordance with the trust’s Tendering and Procurement Policy and comply with the procurement rules and thresholds in The Public Contracts Regulations 2015 unless alternative arrangements to these regulations are introduced.
- 7.3. An accepted tender will be the one that is economically most advantageous unless it can be demonstrated that this is not the best option for the trust and other factors outweigh any monetary savings.
- 7.4. There are three forms of tender procedure: open, restricted and negotiated.
- 7.5. The tender evaluation process will involve at least two people who will disclose any conflicts of interest.
- 7.6. The trust will aim to achieve the best possible value for money for all its purchases, ensuring that services are delivered in the most economical, efficient and effective way.
- 7.7. The CFO is responsible for ensuring that a value for money statement is published annually, on behalf of the Board of Trustees.
- 7.8. Procurement limits as follows:-
  - Purchases up to £5,000 – catalogue price list or one quote
  - Purchases £5,000 - £25,000 – three written quotes
  - Purchases £25,000 - £172,000 – four written quotes
  - Purchases over £172,000 – OJEU regulations apply
- 7.9. Purchases of an urgent and exceptional nature such as safeguarding or health and safety can be purchased without having to fully comply with the regulations to seek three written quotes. However, these should be reported to the next Finance, Risk and Audit Committee.
- 7.10. When purchasing routine goods and services, the trust purchase ordering process must be followed.

- 7.11. All paperwork and email trails must be uploaded into the accounting software (Sage) for purchase orders and invoices.
- 7.12. Staff authorised to raise or approve electronic purchase orders are given access to the appropriate controls in Sage and manage their own passwords.
- 7.13. Purchase orders raised through Sage generate a unique PO reference number.
- 7.14. Non-order invoices must be kept to a minimum, however, when received the purchase order must be raised retrospectively in Sage for approval.
- 7.15. Utility invoices are able to be entered into Sage without purchase orders first being raised.
- 7.16. The CFO is able to authorise invoices for payment for items over their authorisation limits for invoices such as exam fees, college rent and SLA's if the relevant committee have already approved the spend in the budget.

### **Authorisation Limits**

- 7.17. Orders are approved within the following authorisation ranges:

#### **Primary Schools**

Up to £5,000	Headteacher
Up to £20,000	Chief Financial Officer
Up to £29,000	Chief Executive Officer
Up to £99,000	Finance, Risk and Audit Committee
£100,000 +	Trust Board

#### **Secondary Schools (Not sponsored)**

Up to £5,000	School Business Manager/Headteacher
Up to £20,000	Chief Financial Officer
Up to £29,000	Chief Executive Officer
Up to £99,000	Finance, Risk and Audit Committee
£100,000 +	Trust Board

#### **Secondary Schools (Sponsored)**

Up to £2,000	School Business Manager/Headteacher
Up to £20,000	Chief Financial Officer
Up to £29,000	Chief Executive Officer
Up to £99,000	Finance, Risk and Audit Committee
£100,000 +	Trust Board

- 7.18. All requests for new suppliers must be sent to the Finance Manager who will ensure a new supplier form is completed and that the suppliers headed paper and evidence of bank details are supplied, prior to entering them into Sage.

### **Receipt of Goods**

- 7.19. Upon receipt of goods, site staff will move the delivery to the required location for the budget holder.
- 7.20. The budget holder or staff member allocated to, will check the delivery against the goods received note (GRN) and sign the document.
- 7.21. The GRN must be handed to the Finance Officer and report any discrepancies within two working days.
- 7.22. The Finance Officer will then liaise with the supplier to report shortages or defects.
- 7.23. Any returns must be arranged with the Finance Officer.

### **Purchase Invoices**

- 7.24. Upon receipt of a purchase invoice, the Finance Officer will: -
- Check invoiced items to the GRN (if applicable)
  - Check the invoice is not a duplicate
  - Invoice arithmetically correct
  - Prices correct

When the above checks have been completed satisfactorily, the Finance Officer will: -

- Enter the invoice and scan a copy into Sage
- File the invoice awaiting payment

If there is a variation in price between the original purchase order and the invoice amount of either 5% or more than £50.00, then the Trust Finance Manager must be informed.

### **BACS Runs**

- 7.25. The Finance Manager will produce a BACS run at least once a week, or more often if required.
- 7.26. The Finance Manager will create a suggested payments list from Sage and send to the CFO for approval.
- 7.27. Once the CFO has approved the suggested payments list, the Finance Manager will upload the suggested payments list in CSV format to Lloyds bank, ready for approval by signatories.
- 7.28. Two bank signatories will review the BACS payment schedule against the paperwork and if satisfied they will approve the BACS payment electronically, using their own card readers and PINs.

- 7.29. The Finance Manager will issue the electronic remittance advices to suppliers.

### **Petty Cash**

- 7.30. Where required, a school can have a petty cash imprest of up to £300 which is reimbursed from the main trust account.
- 7.31. The Finance Officer is responsible for the safe keeping of petty cash.
- 7.32. Petty cash is used for the purchase of minor items up to a maximum of £10. The exception to this is the Special Secondary school where the Finance, Risk and Audit Committee have agreed a limit of £200 per transaction due to the individual needs of the pupils.
- 7.33. All transactions are entered into the Sage system.
- 7.34. The Finance Manager will carry out ad-hoc checks of the petty cash.

### **Purchasing Cards**

- 7.35. The Headteacher of each school will be provided with a trust purchasing card with a limit of £5,000. Headteachers, in agreement with the CFO, may assign individual staff members with a purchasing card with a limit of £1,000.
- 7.36. Cards must not be loaned to another person.
- 7.37. All balances are cleared each month by direct debit from the trust bank account.
- 7.38. Requests for online purchases will be made by budget holders via the requisition request form or by emailing the Finance Officer.
- 7.39. The Finance Officer will complete the paperwork for the Headteacher, Business Manager or CFO to approve.
- 7.40. The Finance Officer will then make the purchase.
- 7.41. Cards will be locked in the safe when they are not in use.
- 7.42. All expenditure must be authorised by the Headteacher or CFO according to the limits above.
- 7.43. The delivery address for items will always be a trust school site.
- 7.44. A VAT receipt must be obtained and all receipts given to the or Finance Officer.
- 7.45. The purchasing card monthly statements must be signed off by the Headteacher and sent to the Finance Manager.
- 7.46. The Finance Manager will reconcile the direct debit on the bank statement against the charge card statement and expenditure on a monthly basis.
- 7.47. Card limits can be changed by the CFO if required.
- 7.48. Purchasing card usage will be kept to a minimum.
- 7.49. The purchasing card cannot be used for any non-school business.
- 7.50. Only secure sites will be used to purchase online.
- 7.51. The CFO or Finance Manager must be notified immediately if the card is lost or missing.

## 8. Income and expenditure

- 8.1. The main source of income for the trust and its academies is through the grants received from the ESFA and LA.
- 8.2. When allocating funding, the Board of Trustees will consider the funding needs and allocations of each school within the trust.
- 8.3. Headteachers can appeal any funding allocation decisions to the Board of Trustees. If, after this appeal, the situation is not resolved, the Headteacher can make an appeal to the ESFA.
- 8.4. The Finance Manager monitors the receipt of grants, ensuring that all grants due to the academies within the trust are appropriately collected.
- 8.5. The trust collects income from parents including, but not limited to, the following:
  - School meals
  - Trips and residential visits
  - Uniform
  - Breakfast and after school club lettings
  - Reimbursements from various parties and activities
- 8.6. ParentPay online system is used in all schools, allowing parents to make online payments to remove as much cash from school as possible.
- 8.7. There are two main areas of expenditure:
  - **Salaries** – this forms the largest element of expenditure. Salaries of all staff members will be reviewed on an annual basis by the Headteacher, with effect from 1 September and no later than 31 October. Pay review recommendations are then given to the LGB for discussion and authorisation. The Finance, Risk and Audit Committee confirms pay awards, incremental progression and performance led pay increases, all of which the CFO will cost, using known figures and estimates, when preparing the draft budget.
- 8.8. **Premises maintenance** – a combination of maintenance surveys and historical costs will form the basis for planned maintenance. The CFO will incorporate an allowance for unexpected contingencies, as well as for any small new works which may be proposed in-year.
- 8.9. The Finance Manager will keep an up-to-date record of the income and expenditure for the trust.
- 8.10. The Finance Officer will bank the entirety of any money collected in return for goods or services, such as a school trip, in the appropriate bank account.
- 8.11. The Finance Officer is responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system.
- 8.12. Reconciliations will be prepared promptly following the banking of money and will be reviewed and certified by the Finance Manager.

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

## **9. Investments**

- 9.1. Where the Board of Trustees wishes to make investments to further the trust's charitable aims, it will ensure that investment risks are properly managed.
- 9.2. When considering an investment, the Board will:
- Act within its powers to invest as set out in the articles of association
  - Act in line with the trust's Investment Policy and review this policy on a regular basis.
  - Ensure value for money.
  - Take advice from professional advisers where appropriate.
  - Ensure that exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximisation.
  - Ensure investment decisions are in the best interests of the trust.
- 9.3. Prior approval will be sought from the ESFA before all investment transactions that are novel, contentious and/or repercussive, regardless of value.

## **10. Borrowing and debt**

- 10.1. Prior approval will be obtained from the ESFA before borrowing from any source, where such borrowing will be repaid from grant monies or secured on assets funded by grant monies.
- 10.2. Purchasing cards will only be used for business expenditure.
- 10.3. Purchasing card balances will be cleared before any interest accrues.
- 10.4. The trust Finance Manager will prepare and monitor financial plans to ensure ongoing financial health.
- 10.5. The trust will disclose aggregate figures for transactions of any amount and separate disclosure for individual transactions above £5,000 in its audited accounts for writing off debts and losses, as well as guarantees, letters of comfort and indemnities.
- 10.6. The Finance Manager will contact individuals of any outstanding debts owed after 30 days of the notification of payment, e.g. an invoice being sent.
- 10.7. The Finance Manager will issue payment reminders to any non-payments at the following intervals:
- 4 weeks from the invoice being sent – first reminder
  - 6 weeks from the invoice being sent – second reminder
  - 10 weeks from the invoice being sent – final reminder
- 10.8. If, after the final reminder is sent, payment is not received in full, the CFO will send a letter informing the individuals that if the trust does not receive payment within 14 days, they will refer the matter to a small claims court.

- 10.9. Debts below £45,000 will not be written off without the express approval from the Board of Trustees and debts over £45,000 from the ESFA.
- 10.10. The Finance Manager will keep accurate records of the debt process, including:
- Logging invoices and receipts on the trust's accounting system.
  - Keeping any emails and letters pertaining to debt collection for three months after the payment has been made.
  - Keeping emails and letters of payment notifications, ensuring each email clearly states the number of the reminder and the date it was sent.
- 10.11. Only the Finance, Risk and Audit Committee can write off debt, with approval from the ESFA and the Board of Trustees.

## **11. Fixed assets**

- 11.1. The trust will obtain prior approval from the ESFA for the following transactions:
- Acquiring a freehold of land or buildings
  - Disposing of a freehold of land or buildings
  - Disposing of heritage assets, as defined in financial reporting standards, beyond any limits in the trust's funding agreement for the disposal of assets generally
- 11.2. Other than the transactions outlined in 11.1, the trust does not need the ESFA's approval to dispose of any other fixed assets.
- 11.3. Any disposal will maintain the principles of value for money, regularity and propriety.
- 11.4. The Board of Trustees will refer to the DfE's 'Good estate management for schools' guidance to help them to manage capital assets and budgets.
- 11.5. Refer to the trust Asset Control Policy for further information.

## **12. Leasing**

- 12.1. For the purpose of this policy, there are two types of lease:
- Finance lease – a form of borrowing
  - Operating leases – not a form of borrowing
- 12.2. The trust will obtain prior approval from the ESFA for the following lease transactions:
- Taking up a finance lease on any class of asset for any duration from another party, which are subject to borrowing restrictions.
  - Taking up a leasehold or tenancy agreement on land or buildings from another party for a term of seven or more years.
  - Granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party.
- 12.3. Any lease will maintain the principles of value for money, regularity and propriety.

## 13. Gifts

- 13.1. The value of any gifts will be reasonable and within the limits set out in the Gifts, Hospitality and Anti-Bribery Policy.
- 13.2. The decision to make gifts will be documented and have regard to propriety and regularity.
- 13.3. The Gifts, Hospitality and Anti-Bribery Policy sets out the trust's procedures relating to the acceptance of gifts, hospitality, awards, prizes and any other benefit that might be seen to compromise the judgement or integrity of the trust.

## 14. Related party transactions

- 14.1. All academies within the trust will act in accordance with the Conflicts of Business and Pecuniary Interest Policy.
- 14.2. The trust will be even-handed in their relationships with related parties by ensuring:
  - Compliance with their statutory duties to avoid conflicts of interest, benefits are not accepted from third parties, and interests in proposed transactions or arrangements are declared.
  - A Declared Conflicts of Business and Pecuniary Interest Register has been completed.
  - No member of the trust uses their connection to the trust for personal gain.
  - All payments are permitted by the articles of association or by authority from the Charity Commission.
  - The Charity Commission approves payments to a Trustee where there is a significant advantage to the trust.
  - Any payment provided to the persons referred to in 14.21 satisfies the 'at cost' requirements outlined in this policy.
- 14.3. All transactions with related parties will be reported to the ESFA via the [enquiry form](#) in advance of the transaction taking place. This applies to transactions made on or after 1 April 2019.
- 14.4. The Board of Trustees will ensure procedures pertaining to related party transactions are applied across the trust.
- 14.5. The Board of Trustees and Accounting Officer will manage personal relationships with related parties to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with 'The 7 principles of public life'.
- 14.6. The Chair of Trustees and the Accounting Officer will ensure their capacity to control and influence does not conflict with requirements.
- 14.7. The trust recognises that some relationships with related parties may attract greater public scrutiny, such as the following:
  - Transactions with individuals in a position of control and influence, including the Chair of Trustees and the Accounting Officer

- Payments to organisations with a profit motive, as opposed to those in the public or voluntary sectors
  - Relationships with external auditors beyond their duty to deliver a statutory audit
- 14.8. The trust will keep up-to-date records and make sufficient disclosures in their annual accounts to show accordance with the high standards of accountability and transparency required within the public sector.
- 14.9. The trust will report all related party transactions made on or after 1 April 2019 to the ESFA in advance of the transaction taking place.
- 14.10. The trust will obtain prior approval from the ESFA for related party transactions that are novel, contentious and/or repercussive, regardless of value, using the ESFA's [enquiry form](#).
- 14.11. For the purpose of reporting to, and approval by, the ESFA, related party transactions do not include salaries and other payments made by the trust to a person under a contract of employment through the trust's payroll.
- 14.12. The trust will obtain approval from the ESFA using the [online form](#) for contracts and other agreements for the supply of goods or services to the trust by a related party agreed on or after 1 April 2019, where any of the following limits apply before the transaction takes place:
- The contract exceeds £20,000
  - The contract, regardless of the value, would exceed £20,000 individually or cumulatively with the related party in the same financial year ending 31 August
- 14.13. Before completing the ESFA's online form, all the information outlined below will be collected, as it is not possible to partially complete the form and return to it later.
- 14.14. To create a record for the supplier, the following information is required:
- The name of the supplier
  - The supplier's address
  - The supplier's company number which can be found using the [Companies House](#) website (for limited companies)
  - The statement which best describes the relationship between the supplier and the trust
  - Confirmation that the supplier is listed in the trust's Declared Conflicts of Business and Pecuniary Interest Register
  - Confirmation that the trust has a statement of assurance from the supplier
  - Confirmation that the trust has an open-book agreement with the supplier
- 14.15. The following information will be provided about the related party transaction:
- A short description of the goods or service
  - Details of the proposed cost

- The start and end date of any contract or agreement
- 14.16. When seeking approval for a related party transaction, the following evidence will be provided:
- How the trust agreed to the related party transaction
  - That the trust followed its Tendering and Procurement Policy
  - That your school trust tested the market before making a decision
  - How the trust has managed any conflicts of interest
- 14.17. All business and pecuniary interests will be recorded on the Declared Conflicts of Business and Pecuniary Interest Register, including:
- Directorships, partnerships and employments with businesses.
  - Trusteeships and governorships at other educational institutions and charities.
  - For each interest: the name of the business, the nature of the business, the nature of the interest and the date the interest began.
- 14.18. The Declared Conflicts of Business and Pecuniary Interest Register will identify any relevant material interests from close family relationships between the trust's Members, Trustees or Local Governors. Relevant material interests arising from close family relationships between these individuals and employees will also be identified.
- 14.19. The Declared Conflicts Business and Pecuniary Interest Register will be kept up-to-date at all times and amend when any new interests are declared.
- 14.20. The relevant business and pecuniary interests of Members, Trustees, Local Governors and the Accounting Officer will be published on the trust's website.

'At cost' requirements

- 14.21. The trust will not pay more than 'cost' for goods or services provided by the following:
- Any Member or Trustee of the trust
  - Any individual or organisation related to a Member or Trustee of the trust, namely:
    - A relative of a Member or Trustee: defined as a close member of the family, or member of the same household, who may be expected to influence, or be influenced by, the person. This includes, but is not limited to, a child, parent, spouse or civil partner.
    - An individual or organisation conducting business in partnership with the Member, 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 percent of the share capital or is entitled to exercise more than 20 percent of the voting power at any general meeting of that company.
    - An organisation which is controlled by a Member or the relative of a Member (acting separately or together), and/or a Trustee or the

relative of a Trustee (acting separately or together) – an organisation is controlled by an individual or organisation if that individual or organisation is able to secure that the affairs of the body are conducted in accordance with the individual's or organisation's wishes.

- Any individual or organisation given the right under the trust's articles of association to appoint a Member or Trustee of the trust, or any body connected to the individual or organisation.
- Any individual or organisation recognised by the Secretary of State as a sponsor of the trust, or any body connected to the individual or organisation.

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

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

14.23. 'At cost' requirements do not apply to the trust's employees unless they are employed by one of the parties outlined in 14.21.

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

14.25. 'At cost' requirements apply to contracts for goods and services from a related party exceeding £2,500, cumulatively, in any one financial year. Where a contract takes the trust's cumulative annual total with the related party beyond £2,500, the element above £2,500 must be at no more than cost.

14.26. If any of the parties outlined in 14.21 are based in, or work from, the trust's premises, the trust will agree an appropriate sum to be paid to the trust for use of the premises, unless the party is conducting work on behalf of the trust.

14.27. 'At cost' requirements apply to legal advice or audit services when the organisation's partner directly managing the service is a Member or Trustee of the trust, but not in other cases.

14.28. The trust will ensure that any agreement with an individual or organisation referred to in 14.22 is procured through an open and fair process and is:

- Supported by a statement of assurance from the individual or organisation to the trust confirming their charges do not exceed the cost of the goods or services.
- On the basis of an open book agreement including a requirement for the supplier to demonstrate clearly, if requested, that their charges do not exceed the cost of supply.

14.29. The cost will be the full cost of all the resources used in supplying the goods or services and will not include any profit. Full cost includes:

- All direct costs – the costs of any materials and labour used directly in producing the goods or services
- Indirect costs – a proportionate and reasonable share of fixed and variable overheads

## 15. Payroll

- 15.1. 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.
- 15.2. Each school is responsible for the appointment of staff as per the trust Scheme of Financial Delegation
- 15.3. 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.
- 15.4. Each school within the trust will act in accordance with the Teachers' Pay Policy and Support Staff Pay Policy.
- 15.5. The main elements of the payroll system include staff appointments, payroll administration and payments.
- 15.6. Payroll is notified of any staff absence using the trust absence recording system (Breathe HR).
- 15.7. The HR Manager and CFO are responsible for ensuring that:
  - Payments are made only to bona fide employees.
  - Payments are in accordance with individuals' conditions of employment.
  - Deductions, including income tax, national insurance and pensions, are properly administered.
  - Payments are made only in respect of services provided to the school.
  - Amendments to the payroll are properly processed.
- 15.8. The HR Manager, in collaboration with the school HR Administrator is 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

Employee personnel records will be kept and will contain:

  - Evidence of the right to work in the UK (passport)
  - Photo I.D. (passport/driving licence)
  - 2 verified references
  - Signed copy of the application form
  - Copies of interview notes/tasks

- Medical clearance
  - Confirmation of DBS
  - Copy of offer letter
  - Copy of acceptance letter
  - Copy of payroll new starter/ amendment to contract form
- 15.9. Signed contracts of employment must be retained in all new employees' personnel files. Employees who have transferred from another authority under TUPE will have their original contracts of employment and supporting documentation retained by their previous employer.
- 15.10. The Finance, Risk and Audit Committee is responsible for authorising the following salary changes:
- Pay awards for support staff
  - Staffing structure changes
  - Performance-related pay progression
- 15.11. Payroll is continuously monitored and reviewed by the HR Manager and CFO to ensure any changes have been implemented correctly and the information is up-to-date.
- 15.12. Payslips will be produced on a monthly basis and administered to employees via secure online portal, by the 23<sup>rd</sup> of each month.

### **Executive pay**

- 15.13. The Board of Trustees will ensure that executive pay and benefits, follow a robust evidence-based process and are a reasonable and defensible reflection of the individual's role and responsibilities.
- 15.14. No individual will be involved in deciding their salary.
- 15.15. The Board of Trustees will discharge its responsibilities effectively, ensuring its approach to pay and benefits is transparent, proportionate and justifiable, including:
- **Process** – that the procedure for determining executive pay and benefits is agreed by the Board in advance and documented. The Board ensures that both pay and benefits are kept proportionate.
  - **Independence** – decisions about executive pay and benefits reflect independent and objective scrutiny by the Board and conflicts of interest are avoided.
  - **Robust decision-making** – factors in determining pay and benefits are clear, including whether educational and financial performance considerations, and the degree of challenge in the role, have been considered.
  - **Proportionality** – pay and benefits represent good value for money and are defensible relative to the public-sector market.
  - **Commercial interests** – the Board is sighted on broader business interests held by senior executives and is satisfied that any payments made by the trust to executives in relation to such interests do not

undermine the transparency requirements for disclosing pay in accordance with the Academies Accounts Direction.

- **Documentation** – the rationale behind the decision-making process, including whether the level of pay and benefits reflects value for money, is recorded and retained.
- A basic presumption that executive pay and benefits should not increase at a faster rate than that of teachers, in individual years and over the longer term.
- Understanding that inappropriate pay and benefits can be challenged by the ESFA, particularly in any instance of poor financial management of the trust.

15.16. The trust publishes on its website, in a separately readily accessible form, the number of employees whose benefits exceed £100,000, in £10,000 bandings, as an extract from the disclosure in its financial statements for the previous year ended 31 August. Benefits for this purpose include salary, other taxable benefits and termination payments, but not the trust's own pension costs. For employees who are Trustees, their salary and other benefits will also be disclosed in £5,000 bandings in the trust's financial statements.

15.17. Information about the gender pay gap in the trust is published on the trust's website and on the government's reporting [website](https://www.gov.uk/report-gender-pay-gap-data) (<https://www.gov.uk/report-gender-pay-gap-data>).

## 16. Charging and remissions

- 16.1. The Trust Board is responsible for creating a Charging and Remissions Policy.
- 16.2. Each school will act in accordance with the trusts Charging and Remissions Policy at all times.
- 16.3. 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 RE.
- 16.4. The LGB, in conjunction with the Finance, Risk and Audit Committee, can choose to remit charges wholly or in part.
- 16.5. The trust may charge parents for the cost to replace items broken, damaged or lost if it is due to pupil behaviour.
- 16.6. Payments for activities will be processed and recorded by the Finance Officer.
- 16.7. The Finance Officer is responsible for ensuring that the correct invoices are sent to parents, and that payment is received.
- 16.8. The Finance, Risk and Audit Committee will review the Charging and Remissions Policy annually, seeking advice from the CFO where necessary.

## 17. VAT procedures

- 17.1. The trust, and the schools within it, are not registered for VAT but are entitled to reclaim VAT on qualifying purposes through a monthly VAT 126 return.

- 17.2. Under legislation, VAT claims can be made on expenditure which supports the trust's core business purposes.
- 17.3. A report is run for each of the schools within the trust by the Finance Manager, to provide the data necessary for the completion of the VAT 126 reclaim form.
- 17.4. VAT is reclaimed monthly.
- 17.5. Only one return for the trust is required by HMRC.
- 17.6. The trust is eligible to reclaim most of the VAT it pays on invoices from HMRC.
- 17.7. Any invoices for which VAT cannot be reclaimed, as the purchases were for business activity will be removed from the VAT 126 return and the VAT transferred from the VAT control account to the relevant expense code.
- 17.8. Where invoices relate partly to business activity and partly to non-business activity, only the proportion of the VAT relating to the non-business activity will be reclaimed.
- 17.9. The trust will not recoup the VAT element of journeys in the UK or abroad which are identified in invoices unless the trust is making substantial and direct cash subsidies for each pupil.
- 17.10. Reclaimed VAT will not be debited to the individual schools, but to the VAT control account of the trust.
- 17.11. On receipt of the reclaimed VAT from HMRC, the CFO will review the remittance, confirm whether this equals the claim made and sign the remittance to confirm this agreement.

## **18. Risk management**

- 18.1. The trust will maintain a risk register and manage risks to ensure its effective operation, including contingency and business continuity planning which will be reviewed annually by the board.
- 18.2. The Board of Trustees will take overall responsibility for risk management, including ultimate oversight of the risk register, whilst drawing on advice provided to it by the Finance, Risk and Audit Committee.
- 18.3. The Board of Trustees will review the risk register as least annually.
- 18.4. Risk management covers the full operations and activities of the trust, not only financial risks.
- 18.5. The trust will have adequate insurance cover in compliance with its legal obligations or will become a member of the academies risk protection arrangement.
- 18.6. The trust will cooperate with risk management auditors and risk managers and will implement any reasonable recommendations made to them.

## **19. Special payments**

- 19.1. For the purpose of this policy, special payments include:
  - Staff severance payments.

- Compensation payments.
  - Ex gratia payments.
- 19.2. Where the trust considers making a staff severance payment above statutory or contractual entitlements, the following factors will be considered prior to making the commitment:
- The proposed payment is in the interest of the trust
  - The payment is justified, based on legal assessment of the chances the trust will successfully defend the case at employment tribunal
  - The level of settlement is less than the legal assessment of what the relevant body will award
- 19.3. Under no circumstances will the trust make severance payments where the money could be interpreted as a reward for insubordination or failure.
- 19.4. For non-statutory/non-contractual severance payments equal to or greater than £50,000, the trust will seek prior approval from the ESFA. The ESFA will refer the transaction to HM Treasury so the trust will allow sufficient time for this to be considered.
- 19.5. Value for money will be shown for all severance payments.
- 19.6. Compensation payments will take account of the facts of the matter ensuring value for money is achieved.
- 19.7. For non-statutory/non-contractual compensation equal to or greater than £50,000, prior approval from the ESFA will be sought.
- 19.8. The trust will consider whether cases reveal concerns pertaining to the effectiveness of internal control.
- 19.9. Ex gratia payments will always be referred to the ESFA for approval.

## **20. Annual accounts**

- 20.1. The trust will maintain accounting records and prepare an annual report and audited accounts in line with the Charity Commission's Statement of Recommended Practice and the ESFA's 'Academies Accounts Direction'.
- 20.2. When preparing financial statements for the period ending 31 August 2020, the trust will also have regard to the 'Academies Accounts Direction: supplementary bulletin July 2020' which provides guidance on matters arising from the coronavirus (COVID-19) pandemic.
- 20.3. The audited accounts will be:
- Submitted to the ESFA by 31 December each year
  - Published on the trust's website by 31 January
  - Filed with Companies House in accordance with company law requirements, usually by 31 May
  - Provided to every Member (under the Companies Act)
  - Provided to anyone who requests a copy
- 20.4. All copies of the accounting audit will be stored and filed securely, in line with the trust's Data Protection Policy.

## 21. Auditing

- 21.1. The trust will follow a tiered approach to internal control, risk management and assurance processes comprising:
- Clearly communicated procedures, structures and training of staff.
  - Appropriate day-to-day supervision and checks by management.
  - Internal scrutiny overseen by the Finance, Risk and Audit Committee.
  - External audit and assurance.

### **Internal scrutiny**

- 21.2. Internal scrutiny will be conducted within the trust and directed by the Finance, Risk and Audit Committee, alongside the work of an external auditor, to provide independent assurance to the Board that its financial and other controls, and risk management procedures, are operating effectively.
- 21.3. Internal scrutiny will focus on:
- Evaluating the suitability of, and level of compliance with, financial and non-financial controls, including assessing whether procedures are designed effectively and efficiently, and checking transactions to confirm whether agreed procedures have been followed.
  - Offering advice and insight to the Board on how to address weaknesses in financial and other controls.
  - Ensuring all categories of risk are being adequately identified, reported and managed.
- 21.4. The programme of internal scrutiny will be covered by a scheme of work, driven and agreed by the Finance, Risk and Audit Committee and informed by risk.
- 21.5. The programme of work will be spread appropriately over the year to ensure higher risk areas are reviewed in good time.
- 21.6. With reference to its risk register, the trust board will identify annually on a risk-basis the areas it will review each year and modify its checks accordingly.
- 21.7. Internal scrutiny will take account of output from other assurance providers to inform the programme of work.
- 21.8. Independence in internal scrutiny will be achieved by establishing appropriate reporting lines whereby those carrying out checks report directly to a committee of the Board.
- 21.9. Internal scrutiny will be kept under review and if any changes in size, complexity or risk profile become apparent, the trust will consider whether its approach remains suitable.
- 21.10. The trust will confirm, in its governance statement, the method(s) it uses for internal scrutiny and why these are used.
- 21.11. The trust may also use other individuals or organisations where specialist non-financial knowledge is required. Where this is done, the trust will reflect the individual's or organisation's findings, recommendations and conclusions as part of the summary document submitted to the ESFA.

- 21.12. Findings arising from internal scrutiny will be used to inform the Accounting Officer's statement of regularity in the annual accounts.
- 21.13. Regular reports of the programme of work will be provided at each Finance, Risk and Audit Committee meeting, including recommendations to enhance financial and other controls and risk management.
- 21.14. The trust will submit its annual summary report of the areas reviewed, key findings, recommendations and conclusions to the ESFA each year when it submits its audited annual accounts. If requested, the trust will also provide any other internal scrutiny reports.

### **External auditing**

- 21.15. The trust will appoint an external auditor to certify whether its annual accounts present a true and fair view of the trust's financial performance and position.
- 21.16. The contract with the external auditor will be in writing and be accompanied by a letter of engagement that only covers the details of the external audit including the requirements of the DfE.
- 21.17. The letter of engagement will also include details of the removal of external auditors, before the expiry of the term of office, in exceptional circumstances.
- 21.18. The Board of Trustees will notify the ESFA immediately of the removal or resignation of the auditors.
- 21.19. The Accounting Officer will produce a statement on regularity, propriety and compliance and this will be included in the trust's annual accounts.
- 21.20. The statement on regularity, propriety and compliance will include a responsibility to ensure that:
- There is efficient and effective use of resources in their charge.
  - Public money is spent for the purposes intended by parliament.
  - Appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under their control.
- 21.21. The trust will respond promptly, reasonably and appropriately to any findings by the auditors.
- 21.22. The ESFA will be informed within 14 calendar days if the trust appoints or terminates the contract of:
- An Accounting Officer or CFO, including their contact information.
  - A Chair of Trustees, including their contact information.
  - A Member, Trustee or Governor, including their contact information.
  - A Headteacher, including their contact information.
  - A Chair of a Local Governing Board, including their contact information.
  - A Local Governor.

## **22. Record keeping**

- 22.1. All financial transactions of the trust are recorded including, but not limited to, the following:
- Purchases and tenders

- Returns
  - Payroll
  - Cash flow
  - Income and expenditures
  - VAT returns
- 22.2. The Finance Manager is responsible for keeping up-to-date records of the trust's financial state.
- 22.3. The Finance Officer is responsible for keeping up-to-date records in relation to the finances of their school.
- 22.4. 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
  - Identified profit and loss – any causing concern is investigated
- 22.5. Each school has its own set of financial records for day-to-day operational purposes and budget management.
- 22.6. A record will be kept of all the monies kept on the premises prior to banking, as well as the amount which is kept as petty cash.
- 22.7. All financial records will be kept securely in each school's finance office.

## **23. Financial notices to improve**

- 23.1. Where the ESFA has concerns about the trust's financial management and/or governance, and has issued a FNtl, the trust will comply with this notice.
- 23.2. The trust will publish any FNtl issued by the ESFA on its website within 14 days of it being issued, and retain this on the website until it is lifted by the ESFA.
- 23.3. If a FNtl is issued, the trust will seek prior approval from the ESFA for all transactions outlined in section 19, specifically:
- Special staff severance payments
  - Compensation payments
  - Writing off debts and losses
  - Entering into guarantees, indemnities or letters of comfort
  - Disposals of fixed assets beyond any limit in the funding agreement
  - Taking up a leasehold or tenancy agreement on land or buildings of a duration beyond any limit in the funding agreement
  - Carrying forward of unspent GAG from one year to the next beyond any limit in the funding agreement
  - Pooling of GAG
- 23.4. Where required, the trust will seek prior approval from the ESFA before entering into transactions with related parties.

- 23.5. The trust will submit additional information, such as monthly income and expenditure accounts, if required by the ESFA.

## **24. Whistleblowing and fraud**

- 24.1. The trust puts proportionate controls in place to mitigate the risks of fraud, theft and irregularity, e.g. regular inspections addressing risks, and implements an Anti-Fraud and Corruption Policy and a Whistle Blowing Policy.
- 24.2. Where instances of fraud, theft or irregularity are suspected or identified the Board of Trustees will investigate it promptly and should any evidence of fraud be found, they will take appropriate action.
- 24.3. In any instance of fraud, theft or irregularity whereby the amount defrauded comes to a total exceeding £5,000 in a financial year, the Board of Trustees will report it to the ESFA as soon as they become aware of it.
- When reporting to the ESFA on instances of fraud, theft or irregularity, the trust will include the following information:
    - Full details of the event(s) with all key dates
    - The financial value of the loss
    - The measures taken by the trust to prevent recurrence
    - Whether the matter was referred to the police and if not, the reasons why
    - Whether the insurance or the risk protection agreement have offset any loss
- 24.4. If a member of staff suspects their colleagues are involving them in matters of fraud, they have a duty, as an employee of the trust, to raise suspicions to their Headteacher, CFO or CEO.
- 24.5. Reports of fraud will be treated in a fair and unbiased manner.
- 24.6. If the report of fraud is against a member of the Executive Leadership Team, the member of staff can go directly to the Chair of Trustees.
- 24.7. The Headteacher of the relevant school within the trust will be responsible for the initial enquiries of fraud, theft or irregularity – they will then pass on their findings to the Board of Trustees for further inspection.
- 24.8. Upon receiving the Headteacher's initial findings, the Board of Trustees will:
- Determine whether further investigation is warranted.
  - Determine the initial response to the alleged perpetrator when this is a member of school staff.
  - Determine who will carry out the investigation.
  - Determine which outside agencies will be involved.
  - Assess the risk of the fraud and the perpetrator to the trust.
  - Determine to whom day-to-day management of the response will be given.
  - Allocate responsibility for damage limitation action.
  - Determine the course of action to recover losses.
  - Determine the course of action to be taken against the perpetrator.
  - Evaluate the events which enabled the fraud to occur.
  - Ensure preventative action is taken to prevent recurrence.

- Report any excessive fraud (over £5,000) to the ESFA.
- 24.9. The trust's Whistleblowing Policy outlines the procedures to follow in the event of a report being made by a member of staff, as well as the appeals process and what can be done in the event of a whistleblower being treated unfairly.
- 24.10. The Headteacher will ensure all their staff are aware of the Whistleblowing Policy, ensuring that they understand the process of reporting a concern and what they can expect once they have brought a concern to the attention of the school.
- 24.11. All concerns raised by whistleblowers are responded to properly and fairly in line with the Whistleblowing Policy.
- 24.12. The trust's Whistleblowing Policy is published on the trust's website.

## **25. School resource management and self-assessment tool**

- 25.1. The trust will complete the 'School resource management and self-assessment tool' and submit its completed checklist to the ESFA by the specified annual deadline.