

# Financial Procedures 2020/21

(1<sup>st</sup> September 2020 to 31<sup>st</sup> August 2021)



**EQUITAS**  
— ACADEMIES TRUST —

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## 1. Introduction

The purpose of these Financial Procedures is to ensure that the Trust maintains and develops systems of financial control which conform with the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of our funding agreement with the Department for Education (EFSA) and to adhere to the Academies Financial Handbook (AFH).

The Trust must comply with the principles of financial control outlined in the AFH, so this manual expands on that and provides detailed information on the Trust's accounting procedures and should be read by all staff involved with financial systems.

Following these financial procedures will provide control over the Trust's resources and provide management with assurances that the resources are being properly applied for the achievement of the Trust's strategic plan and business objectives, on a sustainable basis, including:

- Maintaining financial sustainability;
- Achieving value for money;
- Effective use of public funds;
- Complying with all relevant legislation;
- Safeguarding the assets of the Trust.

## 2. Organisation

The Trust has defined the responsibilities of each person involved in the administration of Academy finances to avoid the duplication of tasks or omission of functions and to provide a framework of accountability for Members, Trustees and staff.

### Members

The Trust Members are responsible for:

- Appointing, by special resolution, new members or removing existing members other than, where there is one, the foundation/sponsor body and any members it has appointed.
- Appointing Trustees in line with the Trust's Articles of Association.
- 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.

An Annual General Meeting of Members will be held.

## **The Trust Board (Trustees also known as Directors)**

The Trust Board has overall responsibility for the administration of the Academies finances. The main responsibilities of the Trust Board are prescribed in the Funding Agreement between the Trust and the EFSA.

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 academy's funding agreement and are used only for the purposes intended.
- Ensuring the Trust complies with any financial notices to improve (FNtl) 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 academy'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 £150,000
- 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 the Finance & General Purpose Committee (fulfilling the responsibilities relating to audit and risk) 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 academy bank accounts and credit 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 an appropriate accounting officer that is the chief executive leader or equivalent.
- 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 senior executive leader 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 academy 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 & General Purpose Committee and ensuring 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.
- Appointing 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.

### **The Finance & General Purposes Committee (F&GP)**

The Finance & General Purposes Committee meets at least once a term, but more frequent meetings can be arranged if necessary.

The main responsibilities of the F&GP are detailed in written terms of reference which have been authorised by the Trust Board.

The Trust's F&GP Committee fulfils the role of audit and risk 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.
- Reviewing the mandates for the operation of academy bank accounts and credit cards.
- 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 academy.
- Writing off bad debts over £250.
- Reviewing reports on the effectiveness of the financial procedures and controls of the Trust and its constituent academies.
- Authorising the disposal of assets over £5000.
- Authorising formal tenders over £50,000.
- 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 scrutiny.
- 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 of 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.

### **The Chief Executive Officer (previously known as Executive Director)**

The Chief Executive Officer is the Trust's Accounting Officer. Within the framework of the Trust Strategic Development Plan, as approved by the Trust Board, the CEO has overall executive responsibility for the Trust's activities including financial activities. Some of the financial responsibility

has been delegated to the Chief Operations Officer.

The accounting officer is responsible for:

- Sharing the ESFA's 'Dear Accounting Officer' letter with the members, Trustees, the CFO and other relevant stakeholders, 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.
- 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 2020' (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.
- approving new staff appointments within the authorised establishment, except for any senior staff posts which the Trust Board have agreed should be approved by them.
- authorising contracts between £10,000 and £50,000 in conjunction with the Chief Operations Officer.
- signing cheques in conjunction with one other person, in accordance with the Bank Mandate.

### **The Headteacher**

The headteacher of each academy is responsible for:

- Ensuring budgetary control within approved budgets.
- Signing cheques, with one other as required.



- Acting as a named Corporate card holder, if required.
- Approving new staff appointments within the agreed establishment, except for senior staff positions.
- Making recommendations, in conjunction with the Chief Operations Officer, regarding staff pay and contractual conditions, other than members of the SLT, for approval by F&GP.

### **The Chief Operations Officer**

The Chief Operations Officer (COO) fulfils the role of Chief Financial Officer (CFO). The COO works in close collaboration with the Headteachers. The COO has direct access to the Trustees, including via the CEO and F&GP.

As COO 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 academy.
- Working with internal auditors to provide assurance to the audit and risk 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.
- Accepting quotations/tenders at a minimum of £10,000 and over.
- Authorising virements to approved budgets between £10,000 and £25,000.
- Authorising tenders between £10,000 and £25,000 for the MAT.
- Approving purchase orders, invoices and contracts below £10,000 with budget holders.
- Liaising with the headteacher from each academy regarding financial matters.
- Maintaining CPD and undertaking relevant ongoing training.
- having overall control of the Trust bank account and reporting on activity to F&GP and the Trust Board. The Trust Bank Account will always be operated under dual control, with the principle postholders responsible being the COO and the Trust Finance & Procurement Manager;
- Authorising payments from the Trust bank account and BACS payments, in conjunction with one other, as required.

- Signing cheques, with one other as required.
- Acting as a named Corporate card holder, as required.

### **Trust Finance & Procurement Manager (Trust F&P Manager)**

The Trust Finance & Procurement Manager is responsible for:

- Managing day-to-day financial issues, including the establishment and operation of the accounting system, under instruction from the COO.
- Maintaining effective internal controls.
- In conjunction with the COO, drafting original and revised finance plans.
- 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.
- Monitoring the budget on a monthly basis.
- Ensuring the monthly completion of bank and other reconciliations.
- In conjunction with the COO, monitoring cash flow during the month.
- Acting as an authorised signatory for the purposes of signing cheques, certifying employee claims and authorising bank payments from the Trust's bank account.
- 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.
- Liaising with The Trust's accountants in respect of any queries, and ensuring data is supplied for preparation of annual accounts within agreed timescales.

### **Clerk to the Board of Trustees**

The Clerk to the Board of Trustees 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.

### **Other Staff**

Other members of staff, primarily the Trust Finance Assistants and budget holders, will have some financial responsibilities and these are detailed in the following sections of this manual. All staff are responsible for the security of Trust property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the Trust's financial procedures.

## Separation of Duties

In order to reduce the risk of error or intentional manipulation, the Board of Directors and the CEO will ensure the separation of those responsibilities or duties which would, if combined, enable one individual to record and process a complete transaction.

Wherever possible the following duties will be separated:

1. authorisation – of a transaction such as a purchase order or payment;
2. execution – the placing of an order, receiving of goods and services;
3. custody – the holding of goods and services;
4. recording – the completion of accounting records.

| SEPARATION OF DUTIES MATRIX   |                                 |
|-------------------------------|---------------------------------|
| Task                          | Responsible Person              |
| Orders raised                 | Budget holder                   |
| Orders processed              | Trust Finance Administrator     |
| Orders authorised             | COO or Trust F&P Manager        |
| Goods and services checked in | Department staff or Admin staff |
| Returns made                  | Trust Finance Administrator     |
| Payments processed            | Trust F&P Manager               |
| Payments authorised           | COO                             |

## Register of Interests

It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from the decisions they make. To avoid any misunderstanding that might arise all Trustees and staff with significant financial or spending powers are required to declare any financial interests they have in companies or individuals from which the Trust may purchase goods or services. The register is open to public inspection.

The register should include all business interests such as directorships, shareholdings or other appointments of influence within a business or organisation which may have dealings with the Trust. The disclosures should also include business interests of relatives such as a parent or spouse or business partner where influence could be exerted over a governor or a member of staff by that person.

The existence of a register of business interests does not, of course, detract from the duties of Trustees and staff to declare interests whenever they are relevant to matters being discussed by the Trust Board or a committee. Where an interest has been declared, Trustees and staff should not attend that part of any committee or other meeting.

Where necessary, related party transactions must be reported to ESFA by the COO.

### 3. Accounting Procedure

#### Annual accounts

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'.

When preparing financial statements for the period ending 31 August 2021, the Trust will also have regard to the any guidance on matters arising from the coronavirus (COVID-19) pandemic.

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

All copies of the accounting audit will be stored and filed securely, in line with the Trust's Data Protection Policy.

#### Auditing

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 an audit and risk committee.
- External audit and assurance.

#### Internal scrutiny

Internal scrutiny will be conducted within the Trust and directed by the F&GP 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.

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 non-financial controls.
- Ensuring all categories of risk are being adequately identified, reported and managed.

The programme of internal scrutiny will be covered by a scheme of work, driven and agreed by the F&GP committee and informed by risk. The programme of work will be spread appropriately over the year to ensure higher risk areas are reviewed in good time.

With reference to its risk register, the Trust will identify on a risk-basis the areas it will review each year and modify its checks accordingly. Internal scrutiny will take account of output from other assurance providers to inform the programme of work.

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. The Trust have chosen to appointed Services 4 Schools (S4S) to perform internal audit and a Service Level Agreement exists for the financial year.

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. The Trust will confirm, in its governance statement, the method(s) it uses for internal scrutiny and why these are used.

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.

Findings arising from internal scrutiny will be used to inform the accounting officer's statement of regularity in the annual accounts.

Regular reports of the programme of work will be provided at each F&GP Committee meeting, including recommendations to enhance financial and other controls and risk management.

The Trust will submit its annual summary report of the areas reviewed, key findings, recommendations and conclusions to the ESFA by 31 December each year when it submits its audited annual accounts. If requested, the Trust will also provide any other internal scrutiny reports.

### **External auditing**

The Trust will appoint an external auditor to certify whether its annual accounts present a true and fair view of the Trust's financial performance and position. The existing auditors, Feltons, will be confirmed by Members at their Annual General Meeting, until such time as the existing tendered contract expires.

The contract with the external auditor will be in writing and be accompanied by a letter of engagement that only covers the details of the external audit including the requirements of the DfE. The letter of engagement will also include details of the removal of external auditors, before the expiry of the term of office, in exceptional circumstances.

The board of Trustees will notify the ESFA immediately of the removal or resignation of the auditors.

The accounting officer will produce a statement on regularity, propriety and compliance and this will be included in the Trust's annual accounts. The statement on regularity, propriety and compliance will include a responsibility to ensure that:

- There is efficient and effective use of resources in their charge.
- Public money is spent for the purposes intended by parliament.
- Appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under their control.

The Trust will respond promptly, reasonably and appropriately to any findings by the auditors.

The ESFA will be informed, via an update to GIAS (“Get Information About Schools”) 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.

### **Record keeping**

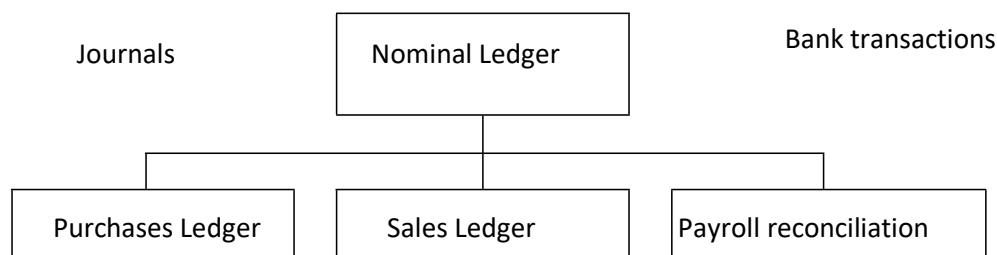
All financial transactions of the Trust are recorded including, but not limited to, the following:

- Purchases and tenders
- Returns
- Payroll
- Cash flow
- Income and expenditure, identifying which transactions were cheques and which were cash payments
- VAT returns

All financial records will be kept securely.

## **4. Accounting system**

All the financial transactions of the Trust must be recorded on the SAGE accounting system. The SAGE system is operated by the Finance Department and consists of:



Entry to the SAGE system is password restricted and the Chief Operations Officer is responsible for implementing a system which ensures that passwords are changed regularly.

Access to the component parts of the SAGE system can also be restricted and the Chief Operations Officer is responsible for setting access levels for all members of staff using the system.

## **Academy Chart of Accounts (ACOA)**

The Trust has adopted the Academy Chart of Accounts from 1<sup>st</sup> September 2020. Adoption is voluntary, but it is believed that this will aid more consistent financial reporting.

## **Back-up Procedures**

The Chief Operations Officer is responsible for ensuring that there are effective back up procedures for the system. The current SAGE system is backed-up to the Microsoft Cloud automatically daily, weekly, monthly and annually.

The Chief Operations Officer should also prepare a disaster recovery plan in the event of loss of accounting facilities or financial data. This should link in with the annual assessment made by Trustees of the major risks to which the Trust is exposed and the systems that have been put in place to mitigate those risks.

## **Transaction Processing**

All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are included in the following sections of the manual. Bank transactions should be input by the Finance Assistant and the input should be checked, and signed to evidence this check, by the Chief Operations Officer.

Detailed information on the operation of the SAGE system can be found in the user manuals held in the Finance Office.

## **Transaction Reports**

The Chief Operations Officer will obtain and review system reports to ensure that only regular transactions are posted to the accounting system. The report obtained and reviewed will include:

- the weekly audit trail reports;
- Master file amendment reports for the payroll, purchase ledger and sales ledger;
- management accounts summarising expenditure and income against budget at budget holder level.

## **Reconciliations**

The Chief Operations Officer is responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:

- sales ledger control account;
- purchase ledger control account;
- payroll control account;
- bank balance per the nominal ledger to the bank statement.

To ensure maximum security and to check for fraudulent activity on the bank accounts, bank transactions should be reconciled weekly and ongoing until the completion of the bank reconciliation at the end of the month.

Any unusual or long outstanding reconciling items must be brought to the attention of the Headteacher. The Headteacher will review and sign all reconciliations as evidence of this review.

## **VAT**

The COO is responsible for ensuring the VAT is checked and reconciled each month, all reports are run, and the VAT 126 report sent to the HMRC for reimbursement on a monthly basis.

The Trust, and the academies within it, are entitled to reclaim VAT on qualifying purposes through a monthly VAT return. VAT claims can be made on expenditure which supports the Trust's core business purposes. A report is run for the Trust by the COO to provide the data necessary for the completion of the VAT reclaim form. VAT is reclaimed monthly. Only one return for the Trust is required by HMRC.

The Trust is eligible to reclaim most of the VAT it pays on invoices from HMRC. Any invoices for which VAT cannot be reclaimed, as the purchases were for business activity, are identified and deleted. 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.

On receipt of the reclaimed VAT from HMRC, the COO will review the remittance, confirm whether this equals the claim made and sign the remittance to confirm this agreement.

## **Budget planning software**

The Trust has adopted use of budget planning software from School Business Services (SBS), which will be used primarily by the COO, in conjunction with the Trust F&P Manager. It will be used to create budgets, monitor and profile budgets throughout the year, aid payroll reconciliation and to implement an Integrated Curriculum Financial Planning (ICFP) approach to budget setting.

## **Fixed budgets and working forecasts**

Once the annual budget is approved by the Trust Board, the COO will "fix" the budget in SBS, for upload into the SAGE accounting system. Budget monitoring will take place against this Fixed Budget.

Once a budget is "fixed", a copy will be made, which then becomes the Working Forecast, which can be used for budget profiling. The COO will make changes within the Working Forecast, to reflect in-year changes that occur relating to staffing and any other aspect of the budget. This will enable the COO to inform Headteachers and Trustees of any positive or negative impacts on the budget, which might influence the eventual budget outcome.



### Monitoring and review deadlines and procedures

| Period | Dates               | Open    | Soft close | Hard close | Reporting deadline |
|--------|---------------------|---------|------------|------------|--------------------|
| 1      | 1/9/20 to 30/9/20   | 1/9/20  | 1/10/20    | 9/10/20    | 16/10/20           |
| 2      | 1/10/20 to 31/10/20 | 1/10/20 | 2/11/20    | 9/11/20    | 16/11/20           |
| 3      | 1/11/20 to 30/11/20 | 1/11/20 | 1/12/20    | 4/12/20    | 9/12/20            |
| 4      | 1/12/20 to 31/12/20 | 1/12/20 | 4/1/21     | 8/1/21     | 13/1/21            |
| 5      | 1/1/21 to 31/1/21   | 1/1/21  | 1/2/21     | 4/2/21     | 9/2/21             |
| 6      | 1/2/21 to 28/2/21   | 1/2/21  | 1/3/21     | 4/3/21     | 9/3/21             |
| 7      | 1/3/21 to 31/3/21   | 1/3/21  | 1/4/21     | 6/4/21     | 9/4/21             |
| 8      | 1/4/21 to 30/4/21   | 1/4/21  | 3/5/21     | 6/5/21     | 11/5/21            |
| 9      | 1/5/21 to 31/5/21   | 1/5/21  | 1/6/21     | 4/6/21     | 9/6/21             |
| 10     | 1/6/21 to 30/6/21   | 1/6/21  | 1/7/21     | 6/7/21     | 12/7/21            |
| 11     | 1/7/21 to 31/7/21   | 1/7/21  | 2/8/21     | 6/8/21     | 12/8/21            |
| 12     | 18/1/21 to 31/8/21  | 1/8/21  | 1/9/21     | 8/9/21     | 13/9/21            |

### Processing journals

Processing journals should only be undertaken by the COO and/or Trust Finance & Procurement Manager, who are fully aware of the proper procedures, in order to:

- Recharge across the Trust;
- Apportion costs;
- Post monthly funding;
- Post payroll journals;
- Post VAT repayments.

### Corrections, amendments and deletions

Corrections, amendments and deletions on the accounting system must only be undertaken by the COO or Trust F&P Manager and whomever undertakes the action should refer to the other party to verify the authenticity of such transaction and record the event on the accounting system. There may be very good reasons why corrections, amendments or deletions might take place, but this additional level of control will mitigate the possibility of fraud occurring.

### New suppliers

The Department of Education warn us that a common area where fraud can take place is when bank details are created/amended for suppliers to whom we make payments. In most instances, details provided are genuine, but in some cases, bogus details are provided to perpetrate a fraud;

Our process from now on is that in addition to receiving supplier details from an official email account of the supplier and/or on letterhead, a further independent check is required, in every instance;

- Upon receipt of new or amended supplier bank details, before details are entered onto Sage, a "Google" search of the supplier should be made to identify a telephone number to contact the supplier. This must not be done using a number provided to us by the supplier. Use a number obtained independently, call the supplier and speak with either our named contact or someone in the Finance Department.

- During the call, you should verify that the sort code and account number are as stated on the information received;
- Record the information received and any conversation in the memo section and/or by attaching a document to the file;
- Please ensure that the supplier record is completed as fully as possible, with details as per the attached presentation.

### **Trial balance by nominal account**

Each month, a trial balance by nominal code must be produced and balances checked for reasonableness. This should enable the reader to assess whether transactions are being coded correctly, which will help to ensure that management reports “make sense”. Any unusual transactions should be “drilled down”, investigated and, where relevant, corrected.

### **Month-end checklist**

The COO has responsibility for ensuring that the month-end checklist is completed fully and accurately. This will include:

- Bank reconciliations;
- All invoices and receipts posted correctly on the finance system;
- Payroll processed correctly and verified against the budget;
- Analysis of pre-payments undertaken and recorded;
- Analysis of debtors & creditors;
- Trial balance completed and analysed;
- Management report completed, discussed with Headteacher and CEO and sent to F&GP Committee;
- Forecasts updated accordingly.

## **5. Financial planning and accounting**

The Trust prepares both medium term and short-term financial plans.

The medium-term financial plan is prepared as part of the development planning process. The development plan indicates how the Trust’s educational and other objectives are going to be achieved within the expected level of resources over the next three years.

The development plan provides the framework for the annual budget. The budget is a detailed statement of the expected resources available to the Trust and the planned use of those resources for the following year.

The development planning process and the budgetary process are described in more detail below.

### **School Improvement Plan**

The improvement plan is concerned with the future aims and objectives of the Trust and how they are to be achieved; that includes matching the Trust’s objectives and targets to the resources expected to be available. Plans should be kept relatively simple and flexible. They are the “big picture” within which more detailed plans may be integrated.

The form and content of the development plan are matters for the Trust to decide but due regard should be given to the matters included within the guidance to Academies and any annual guidance issued by the EFSA.

Each year the Headteacher will propose a planning cycle and timetable to the Trust Board which allows for:

- a review of past activities, aims and objectives - “did we get it right?”
- definition or redefinition of aims and objectives – “are the aims still relevant?”
- development of the plan and associated budgets – “how do we go forward?”
- implementation, monitoring and review of the plan – “who needs to do what by when to make the plan work and keep it on course” and
- feedback into the next planning cycle – “what worked successfully and how can we improve?”

The timetable will specify the deadlines for the completion of each of the key stages described above. Lead responsibility for the completion of each of the stages will be assigned by the Headteacher.

The completed development plan will include detailed objectives for the coming academic year and outline objectives for the following two years. The plan should also include the estimated resource costs, both capital and revenue, associated with each objective and success criteria against which achievement can be measured.

For each objective the lead responsibility for ensuring progress is made towards the objective will be assigned to an Academy manager. The responsible manager should monitor performance against the defined success criteria throughout the year and report to the senior management team on a quarterly basis. The senior management team will report to the Trust Board if there is a significant divergence from the agreed plan and will recommend an appropriate course of action.

### **Financial oversight**

The Trust takes full responsibility for its financial affairs, stewardship of assets and use of resources to maximise pupils’ outcomes.

The board of Trustees meets at least three times a year. The F&GP committee meets at least three times a year. 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.

The board of Trustees delegates financial scrutiny and oversight to the F&GP committee, which can support the board in maintaining the Trust as a going concern.

Constituent academies joining the Trust will be asked to complete a financial management and governance self-assessment.

### **Budget setting**

The budget is a working document which may need revising throughout the year as circumstances change. Any significant revisions will be reported to the F&GP committee.

The budget planning process follows an annual planning cycle and consists of the following four phases:

- Planning
- Budget setting
- Monitoring
- Review

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

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.

Each academy within the Trust will have an independent budget. A balanced budget for the forthcoming financial year will be approved by the board of Trustees, and this approval will be minuted.

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.

Both medium-term and short-term financial plans are prepared for the Trust and each of the academies in the Trust. The medium-term plan indicates how the Trust's and each academy's educational aims and other objectives are going to be achieved within the expected level of resources over the next three years.

The development plan provides the framework for the annual budget. Once budgets are agreed, this will be communicated to all responsible budget holders to ensure they are aware of the overall budgetary constraints.

### **Budget management and monitoring**

To implement a smooth-running planning process, the COO will create a budget timetable which outlines important dates, such as when information will be collected, including salary information and estimated budget allocation.

A continuous review of the aims and priorities of the strategy will be undertaken based on the monitoring and analysis of performance.

The COO and Trust F&P Manager are responsible for monitoring income and expenditure in academies throughout the year.

The COO 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 F&GP every month and with other Trustees no less than six times a year, even if they do not meet in each of those months.

The board of Trustees will consider the management accounts when it meets and will ensure appropriate action is being taken to maintain financial viability. The Board of Trustees will select key financial performance indicators and measure its budgetary performance against these regularly. Any potential overspend against the budget will be discussed with the COO before receiving approval.

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.

The F&GP 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.

The Trust will submit returns to the ESFA in a timely fashion and the returns will be approved by the board of Trustees before submission to the ESFA.

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.

### **Integrated Curriculum Financial Planning (ICFP)**

Integrated curriculum and financial planning (ICFP) is a management process that helps schools plan the best curriculum for their pupils with the funding they have available. It can be used at any phase or type of school. Linking curriculum and financial planning can help the Trust to:

- achieve educational success and financial sustainability
- deliver the best curriculum your school can afford that meets the needs of your pupils.

ICFP is part of the SBS budget planning software and through 2020/21, the COO will seek to implement an effective ICFP process with the Headteacher of each school.

### **School resource management and self-assessment tool (SRMSA)**

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. This tool can be used to reassure

Trustees that they are managing resources effectively and to identify any adjustments we might need to make.

### **Cash management**

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.

The COO will prepare forecasts to ensure that the Trust has sufficient funds available to cover day-to-day operations. The COO will record transactions for the Trust. When producing forecasts, if significant balances can be foreseen, steps will be taken to invest the surplus funds.

Official Academy receipts should be issued for all money received where no other formal documentation exists.

Monies collected must be banked in their entirety in the appropriate bank account. The Finance Assistant is responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system. The reconciliations must be prepared promptly after each banking and must be reviewed and certified by the Chief Operations Officer.

### **Bank Accounts**

The opening of all accounts must be authorised by the Trust Board who must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts, cheque signing arrangements, authorisation for transfers and payments by BACS (or Faster Payments), which must also be subject to the same level of control.

### **Deposits**

Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include:

- the amount of the deposit and
- a reference, such as the number of the receipt or the name of the debtor.

### **Payments and withdrawals**

The Trust will pay almost all of its suppliers by BACS as a preferred payment option. In exceptional circumstances cheques may be used. All cheques authorising withdrawal from Academy bank accounts must bear the signatures of two of the authorised signatories on the bank mandate.

### **Corporate Cards**

Corporate Cards are operated in accordance with the Corporate Card Policy. A Corporate Card is issued in the name of the COO for use in respect of Aston Manor Academy transactions and anything Trust related. A Corporate Card is also issued in the name of the Headteacher of Chilwell Croft Academy, to be used infrequently and sparingly for emergencies, at the Headteacher's discretion.

## **BACS Payments**

The Trustees have authorised the use of BACS payments to suppliers having considered this payment method and the appropriate controls over usage. The BACS option should be used where possible as it provides a more secure route for payment and reduces the potential for fraud. It is recognised that some suppliers will continue to require payment by cheque, but these have reduced over time. Faster payments and priority payments may be used when considered necessary by the COO and F&PM.

In conjunction with the Trust F&P Manager, the Chief Operations Officer checks/reviews the supporting invoice documentation and produces the BACS file from SAGE. Both will sign the report to authorise payments. As a matter of course, payment over the value of £1,000 to a single supplier will be highlighted to Headteachers, for information purposes, so that they remain in touch with major payments from their school budget. The payments file can then be transferred to the bank via Lloyds Commercial Banking online, using passwords and/or PINS, which will remain confidential to each authoriser.

The Chief Executive Officer will conduct a post-payment review and investigate any matters of interest.

## **Administration**

The Chief Operations Officer must ensure bank statements are received regularly (electronically) and that reconciliations are performed at least on a monthly basis. Reconciliation procedures must ensure that:

- all bank accounts are reconciled to the Academies cash book;
- reconciliations are prepared by the Finance Assistant or the Trust Finance & procurement Manager;
- reconciliations are subject to an independent monthly review carried out by the Chief Operations Officer and adjustments arising are dealt with promptly.

## **Investments**

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.

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.
- Prior approval will be sought from the ESFA before all investment transactions that are novel, contentious and/or repercussive, regardless of value.

## **Borrowing and debt**

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.

Credit cards, which are not considered borrowing or debt, will only be used for business expenditure. Payment via credit card requires the same authorisation as that of cheques. Credit card balances will be cleared before any interest accrues, by direct debit, monthly.

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.

The COO will contact individuals of any outstanding debts owed after 30 days of the notification of payment, e.g. an invoice being sent. The COO 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

If, after the final reminder is sent, payment is not received in full, the COO 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.

Debts will not be written off without the express approval from the board of Trustees and the ESFA. The COO will keep accurate records of the debt process, including:

- Logging invoices and receipts on the Trust's accounting system.
- Keeping any emails pertaining to debt collection for three months after the payment has been made.
- Keeping emails of payment notifications, ensuring each email clearly states the number of the reminder and the date it was sent.
- Only the COO or the headteacher can write off debt, with approval from the ESFA and the board of Trustees.

#### **ParentMail and +Pay accounts**

The Trust will use the ParentMail in conjunction with the +Pay system to collect payments from parents for school meals, before and after school care, trips etc.

The COO will ensure that:

- The weekly Settlement Reports are extracted and used to generate a journal to bring the income into SAGE
- All income paid and charges applied in advance are accounted for in the month end where it is of considered material
- All credit balances held on accounts at the year-end will be dealt with in the following format:



- Credit balances will be transferred between the assigned payment items of the pupils to reduce any debit balances
- If there are no debit balances to offset the credit and the pupil is remaining in the school, this credit balance will remain on the account and recognised as a prepayment in the year-end accruals and prepayments schedule
- If there are no debit balances to offset the credit and the pupil is leaving but has a sibling who will remain in school, the credit balance will be transferred to their account
- If there are no debit balances to offset the credit and the pupil is leaving and has no remaining siblings a refund will be made by 31st August
- If a parent requests that the remaining credit is donated to the Trust, an internal adjustment will be made to clear the credit and a journal processed in SAGE to move the income from the original nominal code to the Voluntary Donations nominal
- Interest earned on any credit balances will be used for the benefit of supporting pupil trips and activities. A separate analysis of interest earned from credit balances will not be carried out as this is not considered material.

## 6. Purchasing, procurement and returns

Reference should be made to the Procurement Policy which is supplemental to these procedures.

### Purchase order limits and authorisation of quotations

The following limits apply for quotations:

|  |   |
|--|---|
| Purchases up to £5,000                 | A single quotation, use of an approved supplier catalogue, or access via framework agreement                                      |
| Purchase between £5,001 and £10,000    | Two comparative quotations or access via framework agreement  |
| Purchases between £10,001 and £50,000  | Three comparative quotations, access via framework agreement, or a formal tender process (COO will advise for higher value items) |
| Purchases between £50,001 and £181,302 | Formal tender process   |
| Orders above £181,302                  | OJEU tender   |

The following limits apply for purchasing (and purchase order authorisation):

|                          |  |
|--------------------------|--|
| Purchases under £100     | May be made by staff and re-claimed, subject to pre-authorisation from budget holders. Anything over £100 must be placed via the Finance Office. |
| Purchases up to £1,000   | Budget holders   |
| Purchases up to £2,500   | Finance & Procurement Manager  |
| Purchases up to £5,000   | Chief Operations Officer or Headteacher  |
| Purchases up to £10,000  | Chief Operations Officer and Headteacher together  |
| Purchases up to £50,000  | Chief Executive Officer  |
| Purchases up to £150,000 | Finance & General Purpose Committee  |
| Purchases over £150,000  | Full Trust Board   |

## 7. Payroll

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.

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.

Each academy within the Trust will act in accordance with the Teachers' Pay Policy and Support Staff Pay Policy. The main elements of the payroll system include staff appointments, payroll administration and payments. Payroll is notified of any staff absence using the absence recording system. The headteacher, HR Manager and COO 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.

The HR Manager, in collaboration with the admin officer, is responsible for keeping the staff personnel database up-to-date via the designated recording system.

During the Spring term each year, the Headteacher and COO will review staffing requirements for the following academic year and propose any changes. These proposals will be reviewed and approved by the F&GO committee.

The F&GP committee is responsible for authorising the following salary changes:

Pay awards for support staff

Staffing structure changes

Performance-related pay progression

The COO will reconcile payroll monthly with SBS. Payroll is continuously monitored and reviewed by the CFO to ensure any changes have been implemented correctly and the information is up-to-date.

Payslips will be produced on a monthly basis and administered to employees via secure email, or in person where requested, on the 25<sup>th</sup> of each month.

### **Executive pay**

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.

No individual will be involved in deciding their salary. The board of Trustees will discharge its responsibilities effectively, ensuring its approach to pay and benefits is transparent, proportionate and justifiable, including: 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.

### **Staff Appointments**

The Trust Board has approved a personnel establishment for the Academy. Changes can only be made to this establishment with the express approval in the first instance of the F&GP who must ensure that adequate budgetary provision exists for any establishment changes.

The Headteacher has authority to appoint staff within the authorised establishment except for Senior Staff whose appointments must follow consultation with the Trustees. The HR Manager maintains personnel files for all members of staff which include contracts of employment. All personnel changes must be notified, in writing, to the Chief Operations Officer immediately.

### **Payroll Administration**

The Trust payroll is outsourced and administered by Birmingham City Council. All staff are paid monthly through the payroll package. A master file is created for each employee which records:

- salary;
- bank account details;
- taxation status;
- personal details and
- any deductions or allowances payable.

New master files can only be created by the HR Manager with the express approval of the Chief Operations Officer. Any master file amendments made by the HR Manager must be printed out each month prior to the payroll run and must be authorised by the Chief Operations Officer. Any master file amendments made by the Chief Operations Officer must be authorised by the Headteacher.

The HR Manager must complete a monthly staff return which provides details for all staff in the section of sickness and other absences during the month and any new appointments or terminations. The staff return must be authorised by the nominated budget holder. Authorised staff returns should be sent to the Finance Officer who then files the documents for payroll processing.

By the first week of each month the Chief Operations Officer will prepare and distribute a timetable for payroll processing specifying key dates for the month in question. Data input to SAGE should be undertaken by the Chief Operations Officer in accordance with the timetable. Before the payroll is processed a print of all data input should be obtained and this should be checked against source documentation by the Chief Operations Officer and then reviewed and initialled by the Headteacher.

### **Payments**

After the payroll has been processed but before payments are dispatched a print of salary payments by individual and showing the amount payable in total should be obtained from the Birmingham City Council. The print must be reviewed and authorised together with authority to release payment by the Chief Operations Officer and the Headteacher.

All salary payments are made by BACS.

The Chief Operations Officer should prepare a reconciliation between the current month's and the previous month's gross salary payments showing adjustments made for new appointments, resignations, pay increases etc. This reconciliation should be reviewed and signed by the Headteacher.

The Chief Operations Officer should select one employee at random each month and check the calculation of gross to net pay to ensure that the payroll system is operating correctly.

After the payroll has been processed the nominal ledger will be updated. Postings will be made both to the payroll control account and to individual cost centres. The Business Manager should review the payroll control account each month to ensure the correct amount has been posted from the payroll system, individual cost centres have been correctly updated.

On an annual basis the HR Manager must check for each member of staff that the gross pay per the payroll system agrees to the contract of employment held on the personnel file in the Personnel's office.

For employees whose benefits are more than £60,000, details must be published on the Trust's website as an extract from the financial statements for the preceding financial year.

## 8. Income and expenditure

The main source of income for the Trust and its academies is through the grants received from the ESFA.

When allocating funding, the board of Trustees will consider the funding needs and allocations of each academy within the Trust.

Headteachers of constituent academies 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.

The CFO monitors the receipt of grants, ensuring that all grants due to the academies within the Trust are appropriately collected.

The Trust collects income from parents via a number of methods including, but not limited to, the following:

School meals

Trips and residential visits

Book bags and uniform

Additional nursery places

Breakfast and after school club lettings

Reimbursements from various parties and activities

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 local governing board for discussion and authorisation. The F&GP committee confirms pay awards, incremental progression and performance led pay increases, all of which the COO will cost, using known figures and estimates, when preparing the draft budget.

Premises maintenance – a combination of maintenance surveys and historical costs will form the basis for planned maintenance. The COO will incorporate an allowance for unexpected contingencies, as well as for any small new works which may be proposed in-year. Staff members will follow the procedure outlined in the Staff Handbook when requesting maintenance of premises or new work.

The COO will keep an up-to-date record of the income and expenditure for their academy.

The COO will bank the entirety of any money collected in return for goods or services, such as a school trip, in the appropriate bank account.

The COO is responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system.

Reconciliations will be prepared promptly following the banking of money and will be reviewed and certified by the COO.

### **Trips**

A lead teacher must be appointed for each trip to take responsibility.

Students should make payments at the Finance Office. A receipt must be issued for all monies collected and the value of the receipt and the number of the receipt recorded against the student making the payment.

The Finance Assistant should maintain an up to date record for each student showing the amount paid and the amount outstanding. This record should be sent to the lead teacher on a weekly basis and the lead teacher is responsible for chasing the outstanding amounts.

### **Lettings**

The Trust at present does not let its facilities but may wish to do so.

A record of bookings of facilities should be maintained which identifying the sums due from each organisation. Payments must be made in advance for the use of facilities.

No debts should be written off without the express approval of the Trust Board (the EFSA's prior approval is also required if debts to be written off are above the value set out in the annual funding letter).

## **9. Fixed assets**

### **Fixed Asset register**

All items purchased with a value over the Academies capitalisation limit must be entered in an asset register. The asset register should include the following information:

- asset description
- asset number
- serial number
- date of acquisition
- asset cost
- source of funding (% of original cost funded from EFSA grant and % funded from other

- sources)
- expected useful economic life
- depreciation
- current book value
- location
- name of member of staff responsible for the asset

The Asset Register helps:

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

### **Security of assets**

Stores and equipment must be secured by means of physical and other security devices. Only authorised staff may access the stores.

All the items in the register should be permanently and visibly marked as the Academies property and there should be a regular (at least annual) count by someone other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to the Trust Board. Inventories of Academy property should be kept up to date and reviewed regularly. Where items are used by the Academy but do not belong to it this should be noted.

### **Disposals**

Items which are to be disposed of by sale or destruction must be authorised for disposal by the Chief Operations Officer and, where significant, should be sold following competitive tender. The Academy must seek the approval of the EFSA in writing if it proposes to dispose of an asset for which capital grant in excess of £20,000 was paid.

Disposal of equipment to staff is not encouraged, as it may be more difficult to evidence the Academy obtained value for money in any sale or scrapping of equipment. In addition, there are complications with the disposal of computer equipment, as the Academy would need to ensure licences for software programmes have been legally transferred to a new owner.

The Academy is expected to reinvest the proceeds from all asset sales for which capital grant was paid in other Academy assets. If the sale proceeds are not reinvested then the Academy must repay to the EFSA a proportion of the sale proceeds.

All disposals of land must be agreed in advance with the Secretary of State.

### **Loan of Assets**

Items of Academy property must not be removed from Academy premises without the authority of

the Head of Department. A record of the loan must be recorded in a loan book and booked back into the Academy when it is returned.

If assets are on loan for extended periods or to a single member of staff on a regular basis the situation may give rise to a 'benefit-in-kind' for taxation purposes. Loans should therefore be kept under review and any potential benefits discussed with the Trust's auditors.

## **Leasing**

There are two types of lease:

- operating leases: these do not represent borrowing
- finance leases: these are a form of borrowing.

Trusts do not require ESFA's approval for operating leases except for some transactions relating to land or buildings.

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

- taking up a finance lease on any class of asset for any duration from another party (borrowing)
- taking up a leasehold or tenancy agreement on land or buildings from another party for a term of seven or more years<sup>36</sup>
- granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party

Trusts must ensure that any lease arrangement maintains the principles of value for money, regularity and propriety whether or not ESFA's prior approval is required. Trusts should seek advice from their professional financial adviser and/or external auditor if they are in any doubt over whether a lease involves an element of borrowing.

## **Insurance**

The COO will review the insurance needs of the Trust annually and liaise with the schools, where appropriate, to ensure that specific arrangements remain appropriate. Following the approval of the Board of Directors, the COO will ensure the agreed arrangements are in place.

The Board of Directors will periodically consider whether to insure risks that are not covered by an existing policy arranged within the Trust or other voluntary body. The cost of premiums for any additional cover should be met from the Trust's delegated budget.

The COO will be responsible for ensuring that Board Members are made aware of all new risks, and all incidents which may give rise to an insurance claim (e.g. accident, theft etc.) should be reported immediately to the insurers and within the Trust.

## **Controlled Stationery**

Chequebooks are defined as Controlled Stationery and should be recorded, with serial numbers, on receipt, on opening and on completion.

Books should not be split, and blank forms secured when not in use.



## 10. Related party transactions

All academies within the Trust will act in accordance with the Conflicts of Interest Policy. 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 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 academy. Any payment provided to the persons referred to in 14.22 satisfies the 'at cost' requirements outlined in this policy. All transactions with related parties will be reported to the ESFA in advance of the transaction taking place. This applies to transactions made on or after 1 April 2019.

The board of Trustees will ensure procedures pertaining to related party transactions are applied across the MAT. 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'.

The chair of Trustees and the accounting officer will ensure their capacity to control and influence does not conflict with requirements. 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

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. 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. 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. For the purpose of reporting to, and approval by, the ESFA, related party transactions do not include salaries and other payments made by the MAT to a person under a contract of employment through the Trust's payroll.

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:

The contract exceeds £20,000

The contract, regardless of the value, would exceed £20,000 in the same financial year ending 31 August

The contract, regardless of the value, would exceed £20,000 individually or cumulatively with the related party in the same financial year ending 31 August

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.

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 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

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

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 academy Trust tested the market before making a decision

How the Trust has managed any conflicts of interest

## **Declared Conflicts of Interest Register**

All business and pecuniary interests will be recorded on the Declared Conflicts of 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.

The Declared Conflicts of 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. The Declared Conflicts of Interest Register will be kept up-to-date at all times and amended when any new interests are declared.

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**

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.

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

'At cost' requirements do not apply to the Trust's employees unless they are employed by one of the parties outlined in 14.22.

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

'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.

If any of the parties outlined in 14.22 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.

'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.

The Trust will ensure that any agreement with an individual or organisation referred to in 14.23 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.

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.

## **11. Charging and remissions**

The Trust Board is responsible for creating a Charging and Remissions Policy. Each academy will act in accordance with the Trust's Charging and Remissions Policy at all times.

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.

The Trust may charge parents for the cost to replace items broken, damaged or lost if it is due to pupil behaviour. Payments for activities will be processed and recorded by the F&PM.

The F&PM is responsible for ensuring that the correct invoices are sent to parents, and that payment is received. The audit and risk committee will review the Charging and Remissions Policy annually, seeking advice from the CFO where necessary.

## **12. Risk management**

The Trust will maintain a risk register and manage risks to ensure its effective operation, including contingency and business continuity planning.

The board of Trustees will take overall responsibility for risk management, including ultimate oversight of the risk register, while drawing on advice provided to it by the audit and risk committee. The board of Trustees will review the risk register at least annually. Risk management covers the full operations and activities of the Trust, not only financial risks.

The Trust will have adequate insurance cover in compliance with its legal obligations or will become a member of the academies risk protection arrangement.

The Trust will cooperate with risk management auditors and risk managers and will implement any reasonable recommendations made to them.

## **13. Special payments**

For the purpose of this policy, special payments include:

Staff severance payments.

Compensation payments.

Ex gratia payments.

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

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

For 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.

Value for money will be shown for all severance payments.

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

For compensation equal to or greater than £50,000, prior approval from the ESFA will be sought.

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

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

## **14. Whistleblowing and fraud**

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.

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.

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 academy will include the following information:

Full details of the event(s) with all key dates

The financial value of the loss

The measures taken by the Trust to prevent recurrence

Whether the matter was referred to the police and if not, the reasons why

Whether the insurance or the risk protection agreement have offset any loss

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 a member of their SLT.

Reports of fraud will be treated in a fair and unbiased manner.

If the report of fraud is against a member of the SLT, the member of staff can go directly to the chair of Trustees.

The SLT of the relevant academy 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.

Upon receiving the SLT'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 academy.

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.

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.

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 academy.

All concerns raised by whistleblowers are responded to properly and fairly in line with the Whistleblowing Policy.

The Trust's Whistleblowing Policy is published on the Trust's website.

## **15. Gifts and Hospitality**

As a general rule staff must not accept from suppliers or contractors or potential suppliers and contractors or from any firm or organisation with whom the Trust has had, is having or may have any dealings of any kind: · any gift (other than an inexpensive seasonal gift such as a calendar or diary for use in the office) and where refusal would cause needless offence and the giver is not seeking a business decision but merely wishes to express thanks for service, advice, help or co-operation. · any hospitality without the written authorisation of the CEO or Chair of Directors. A register will be maintained by the CEO to record all particulars of gifts and hospitality. Please see the Expenses, Gifts & Hospitality Policy for more information.

## **16. Monitoring and review**

This policy will be reviewed on an annual basis, or when new legislation/guidance regarding the subject is published, by the audit and risk committee and the accounting officer.

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

**Approved the Equitas Academies Trust Board at the meeting on 5<sup>th</sup> October 2020**