

# Trust Financial Handbook

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## Introduction

The purpose of this Financial Handbook is to ensure that the Trust maintains and develops systems of financial control, which conform to the requirements good financial management and control, such that it meets the requirements of the funding agreement with the Education and Skills Funding Agency (ESFA) and the Academies Financial Handbook. This handbook provides instruction on the accounting procedures and financial regulations, which must be adhered to by all staff involved in any aspect of financial administration within Bright Futures Educational Trust.

Compliance with this Financial Handbook is mandatory and any contravention of procedure must be brought to the attention of the Accounting Officer, who is the Chief Executive Officer (CEO) of the Trust.

The Trusts Audit and Risk Committee are responsible for reviewing all controls and procedures of financial systems operating within the Trust.

This handbook will be kept under regular review and updated and amended as instructed by the Audit and Risk Committee as and when matters arise such that revision is required.

## Financial Policy and Overview

It is the Trust's Policy to develop and maintain a budgeting and accounting control system which: -

- provides a framework for strategic planning and budgeting
- enables income and expenditure to be identified and controlled
- ensures accounts can be prepared which give a true and fair view of the state of all financial affairs across the Trust, taking into account statements of standards accounting practices where relevant but subject to the accounting policies and disclosure requirements issued by the DfE and ESFA.
- enables the Trust to complete the regular financial returns required by the ESFA by the due dates
- safeguards the Trust's assets.

Such systems should: -

- be cost effective
- comply with all statutory requirements and other regulations relevant to the constitution and activities of the School

- be easily understood by members of the School staff responsible for its operation.

Accountability is a fundamental part of the academies and free schools programme and of public life generally. For academy trustees this brings specific duties to safeguard the trust's resources, to avoid conflicts of interest and to promote transparency through the publication of accounts.

## **Part 1: Roles and Responsibilities**

### **1.1 Trust Board including sub-committees**

All members of the Trust Board are ultimately responsible for controlling the finances of the Trust and its Academy schools.

The day to day management of the Trust is delegated to the Trust's CEO who acts via the Trusts Executive Team.

Individual school Local Governing Bodies (LGB's) are sub-committees of the Board and responsibility is delegated in accordance with the published Delegation Framework.

The Trust Board is responsible for ensuring that any grant received is used in accordance with the intended purpose and must take steps to ensure that the financial management and procedures are such as to enable it to fulfill its obligations.

The Trust Board will keep under review its financial management arrangements and make amendments as necessary. Both the Trust's External Auditors and Internal Auditors will advise the Board via the Audit and Risk Committee where they feel such amendments to be necessary.

This Finance Handbook will be reviewed annually by the Audit and Risk Committee and updated as necessary in response to both internal and external review. The procedures should always comply with DfE and ESFA requirements.

Compliance with this handbook is mandatory and any contravention of procedures must be brought to the immediate attention of the Trust's Accounting Officer.

### **1.2 Audit and Risk Committee**

An Audit and Risk Committee has been established to provide assurance over the suitability of, and compliance with, the Trust's financial systems and controls.

## Responsibilities of trustees

The Trust Board has wide responsibilities under statute, regulations and the funding agreement. Principally, it is responsible for ensuring that the trust's funds are used only in accordance with the law, its articles of association, its funding agreement, the Academies Financial Handbook and this handbook. The Trust Board has wide discretion over its use of the trust's funds, which it **must** discharge reasonably and in a way that commands broad public support. It is responsible for the proper stewardship of those funds, including regularity and propriety, and for ensuring economy, efficiency and effectiveness in their use – the three key elements of value for money.

Academy trusts are companies limited by guarantee and exempt charities. The Trust Board is subject to the duties and responsibilities of charitable trustees and company directors as well as any other conditions that the Secretary of State agrees with them. The key requirements are reflected in the articles of association, the funding agreement, and the ESFA's financial handbook.

Trustees **must** understand their statutory duties as company directors as set out in the Companies Act 2006. These comprise the duties to:

- act within their powers;
- promote the success of the company;
- exercise independent judgement;
- exercise reasonable care, skill and diligence;
- avoid conflicts of interest;
- not to accept benefits from third parties; and
- declare interest in proposed transactions or arrangements.

These duties are especially relevant when entering into transactions with connected parties.

The Trust Board **must** provide details of the academy trust's governance arrangements in the governance statement published within its annual accounts. A key feature is trustees' review of governance including a consideration of the composition of the board in terms of skills, effectiveness, leadership and impact.

## 1.3 Individuals

### Responsibilities of the Trust's Accounting Officer

The Accounting Officer of Bright Futures Educational Trust is named as the Trust's Chief Executive Officer.

The role of Accounting Officer includes specific responsibilities for financial matters. It includes a personal responsibility to Parliament, and to the ESFA's Accounting Officer, for the financial resources under the Trust's control.

The Accounting Officer **must** be able to assure Parliament, and the public, of high standards of probity in the management of public funds, particularly with respect to regularity, propriety and value for money.

The Accounting Officer **must** complete and sign a statement each year demonstrating how the trust has secured value for money, using the published ESFA template. Trusts **must** send it to ESFA by 31 December, and publish it on the Trust's website by the end of January following the financial year to which the statement relates. The ESFA will also publish these statements.

The Accounting Officer **must** also complete and sign a statement on regularity, propriety and compliance each year and submit this to ESFA with the audited accounts.

Whilst the Trust's Accounting Officer is accountable for the Trust's financial affairs, for keeping proper financial records, and for the management of opportunities and risks, the delivery of the Trust's detailed accounting processes are delegated to the Chief Finance Officer.

The Accounting Officer **must** take personal responsibility (which **must not** be delegated) for assuring the Trust Board that there is compliance with the handbook and the funding agreement. The Accounting Officer **must** advise the Trust Board in writing if, at any time, in his/her opinion, any action or policy under consideration by them is incompatible with the terms of the articles, funding agreement or the ESFA's financial handbook. Similarly, the Accounting Officer **must** advise the Trust Board in writing if it appears to be failing to act where required to do so by the terms and conditions of the handbook or funding agreement. Where the Trust Board is minded to proceed, despite the advice of the Accounting Officer, the Accounting Officer **must** consider the reasons the Trust Board gives for its decision. If, after considering those reasons the Accounting Officer still considers that the action proposed by the Trust Board is in breach of the articles, the funding agreement or the ESFA's financial handbook, the Accounting Officer **must** notify ESFA's Accounting Officer immediately, and in writing.

## Principals

It is the Principals' responsibility, under the direction of the Trust Board and Local Governing Body, to:

- ensure full compliance of the Academy with Bright Futures DfE and ESFA financial regulations
- ensure that administrative and financial staff clearly understand their role and the limits of their responsibilities.
- ensure that budgetary limits approved by the Trust Board are not breached

## Individuals with specific responsibilities for financial procedures

The Trust's Chief Finance Officer is a member of the Trust's Executive Team and is responsible for both advising the CEO and Trust Board on financial strategy and overseeing the day to day operational financial procedures. Further delegation to a variety of finance staff across the Trust, both at individual Academy and central services level, takes place in order that all financial tasks and responsibilities are fulfilled. These additional finance roles range from the Financial Controller and Trust Senior Finance Manager to Data Entry Clerks responsible for order and invoice processing.

The specific responsibilities of posts are detailed in individual job descriptions, and lines of delegation are detailed through a number of organisation charts.

## 1.4 External Organisations

### Responsibilities of the Department for Education (DfE)

The DfE has ultimate responsibility and accountability for the effectiveness of the financial system for academies. The DfE is responsible for ensuring there is an adequate framework in place to provide assurance that all resources are managed in an effective and proper manner and that value for money is secured. There is a clear chain of accountability from each academy trust, which has its own Accounting Officer, through ESFA's Accounting Officer, to DfE's principal Accounting Officer.

### Responsibilities of the Education & Skills Funding Agency (ESFA)

The ESFA is an executive agency of DfE and acts as the agent of the Secretary of State within an agreed authority to take decisions on his behalf. The ESFA's Accounting Officer is responsible and accountable to Parliament for how ESFA uses its funds. The ESFA's accounting officer is also personally responsible for the regularity and propriety of all expenditure of its funds and for ensuring value for money. To discharge these duties,

the ESFA's accounting officer must be satisfied that an academy trust has appropriate arrangements for sound governance, financial management, securing value for money and accounting, and that the way the trust uses public funds is consistent with the purposes for which the funds were voted by Parliament.

The ESFA will send a 'Dear Accounting Officer' letter annually to all academy trust accounting officers, setting out their key responsibilities and highlighting any changes from previous years. Accounting Officers should share this letter with their Trustees, and Chief Finance Officer.

### ESFA Intervention Powers

Where the ESFA has concerns about financial management and/or governance in an academy trust (including a multi-academy trust or constituent academies within a multi-academy trust) it may issue, and publish, a Notice to Improve (NtI). The Trust **must** comply with all of the terms of an NtI. Failure to comply will be deemed a breach of the funding agreement by virtue of the relationship between the funding agreement and the handbook. In exceptional circumstances the funding agreement may be terminated due to non-compliance with the terms of the NtI.

### 1.5 Register of Business Interests

The Trust maintains a register of interests to capture relevant business and pecuniary interests of members, trustees, local governors of academies and senior employees, including:

- directorships, partnerships and employments with businesses that provide goods or services to the Trust;
- trusteeships and governorships including at other educational institutions and charities irrespective of whether there is a trading relationship with the Trust; and

for each interest: the name of the business, the nature of the business, the nature of the interest, and the date the interest began.

The Trust will publish on its website the relevant business and pecuniary interests of trustees and members.

## **Part 2: Scope of Financial Procedures Manual**

The Finance Handbook is intended to cover all the financial aspects of the management of Bright Futures Educational Trust. This includes the central operations, all educational establishments within the Trust, and other cost centres within the organisation such as the Professional Development Institute.

The handbook has been prepared to establish policies and to provide a sound framework for the members of staff involved directly or indirectly in the financial affairs of the Trust.

It is not possible to cover every possible eventuality. If there are specific matters not covered within the handbook, they shall be resolved within the spirit of the policies and guidelines prescribed herein and good accounting practice.

Regular reviews of all the procedures and policies covered by the manual shall be performed having due regard to the need to obtain value for money. All staff shall, therefore, have due regard to economy, efficiency and effectiveness when using resources.

Copies of the Finance Handbook should be held by: -

- The Trust Board and all sub-committees including Local Governing Bodies.
- The CEO, Chief Finance Officer and Executive Team.
- Internal Audit (TIAA).
- External Audit (UHY Hacker Young LLP).
- Key Finance and other Personnel involved in any aspect of financial administration across individual establishments.
- Academy Principals.

## **Part 3: Amendments**

The handbook has been approved by the Trust Board through the Audit and Risk Committee. The Chief Finance Officer is responsible for the presentation of any proposed amendments to the Audit and Risk Committee.

All enquiries concerning the Finance Handbook should, in the first instance, be directed to the Chief Finance Officer.

## Part 4: Finance and Governance

### 4.1 Accounting Principles and Periods

The accounting principles adopted by Academies within the Trust shall at all times be in accordance with the guidelines issued by the Trust, the DfE and the ESFA.

Returns shall be prepared in accordance with the historical cost convention. It is also important in assessing the effectiveness of the Trust's financial control arrangements that there is consistency of accounting treatment to allocating costs between income and expenditure headings on financial returns.

Year-end accounts and returns shall be completed on an accruals basis. Thus income will be shown at the point when it is due to the Trust, whether or not it has actually been received and expenditure at the point when the relevant goods or services are received, whether or not payment has actually been made.

It is not correct to show on returns, including the annual accounts, values for goods which were ordered in the period covered by the return but had not yet been received by the Trust.

#### Accounting Periods

<b>Financial Year</b>		1 <sup>st</sup> September to 31 <sup>st</sup> August
<b>Academic Year</b>		1 <sup>st</sup> September to 31 <sup>st</sup> August
<b>Academic Terms</b>	Autumn	1 <sup>st</sup> September to 31 <sup>st</sup> December
	Spring	1 <sup>st</sup> January to 30 <sup>th</sup> April
	Summer	1 <sup>st</sup> May to 31 <sup>st</sup> August

### 4.2 Financial Oversight

Whilst the Trust Board cannot delegate overall responsibility for the Trust's funds, each Academy's Local Governing Body receives delegated authority via the approved annual budget and written Delegation Framework.

The Chief Executive Officer is appointed as Accounting Officer, under the guidance of the Trust Board, and responsibilities include: -

- ensuring that all the Trust's property is under the control of the trustees, and measures are in place to prevent losses or misuse, including maintenance of fixed asset registers;
- ensuring that bank accounts, financial systems and financial records are operated by more than one person;

- keeping full and accurate accounting records; and
- preparing accruals accounts, giving a true and fair view of the trust's use of resources, in accordance with existing accounting standards.

The Trust's Chief Finance Officer has been appointed to lead on financial matters. The Chief Finance Officer should play both a technical and leadership role, including ensuring sound and appropriate financial governance and risk management arrangements are in place, preparing and monitoring of budgets, and ensuring the delivery of annual accounts.

### **4.3 Financial Planning**

#### **4.3.1 Development Plan**

Each Academy shall have an annual development plan which sets out: -

- The overall aims of the Academy.
- Where the Academy intends to be in terms of status, services and finances including objectives for specific areas of the School's operations such as curricular and pastoral development, links with the community, staff development, use of land and buildings and future income generation.
- How the Academy intends to get there and the level of resources required to meet its objectives.
- Analysis of Strengths, Weaknesses, Opportunities and Threats.
- Priorities of meeting objectives and targets for the associated expenditure.
- The resource allocation within the Academy.

The development plan shall be reviewed and updated each year, copies shall be made available to: -

- The Executive Team and Trustees.
- Any Governing Body member.
- The Audit and Risk Committee.
- Relevant members of the teaching staff.

### 4.3.2 Budget Process

Each year, the Trust Chief Finance Officer issues specific budget setting guidance which sets out the process and timetable that must be adhered to.

The budgetary process shall ensure that initial and revised budgets have built in flexibility to deal with possible external factors such as increasing costs due to pay settlements.

The budget shall be based upon a hierarchy of assumptions and priorities so that the consequences of budget increases or decreases can be dealt with swiftly. Sensitivity analysis will be used to demonstrate how changes in key assumptions will impact financial outcomes, helping to identify potential risks. The analysis will show the impact of changes to assumptions in both the short term and the long term. The key areas will be the increases in funding rates, pay rise assumptions for both teachers and support staff, inflationary rises for non-staffing costs and pupil number forecasts.

By preparing for a range of potential outcomes, the Trust can ensure its financial strategy is flexible and responsive to both expected and unforeseen changes.

#### Spending Beyond the Approved Budget / Virement

The approved budget sets each Academy's 'approved level of authority to spend' at each individual budget line. Academy's and the Trust central team are not authorised to spend beyond these limits. Authority to do so must first be sought from the Executive Board, via the Financial Controller, in writing, stating the full business case for the proposal. Such requests for variations should be the exception. A copy of template business cases can be obtained from the Financial Controller.

During this time of heightened financial control, schools and the Trust central teams, having specifically planned and allocated budgets, must not vire between cost allocations/nominals without having first sought the prior permission of the Trust Chief Finance Officer who will liaise with the Chief Executive Officer for final decisions.

All staffing budgets are specifically set by post. Like for like replacement of leavers during the year within specific posts already in the budget are authorised. Decisions for additional headcount, increased salaries (aside from the normal pay review process – Teachers September /Support April) and new posts not planned in the budget must be referred to the Director of Director of People & Culture. A business case will then be produced and submitted to the Financial Controller who will review and seek approval from the Executive Board

#### General

The Board of Trustees **must** approve a balanced budget across the Trust, and any significant changes to that budget, for the financial year to 31 August, which can draw on unspent funds brought forward from previous years. The board **must** minute their approval(s).

The Trust must manage individual and cumulative cash balances. As such, requests to spend against cumulative reserves, which have not been planned for in budget, must be made in writing to the Financial Controller via a business case and the business case will be reviewed by the Executives.

The academy trust **must** submit to ESFA a copy of the budget forecast in a form specified by ESFA by a date to be notified.

The Board of Trustees **must** notify ESFA within 14 days if it is formally proposing to set a deficit revenue budget for the current financial year, which it is unable to address after funds from previous years are taken into account.

#### 4.4 Central Services

Bright Futures Educational Trust is a Multi Academy Trust directed and managed by central operations funded by a contribution referred to as a Management Fee, from each of its schools and the Professional Development Institute. The Management Fee which will appear as expenditure within each schools management accounts is 4%. The Management Fee pays for the salaries of the executives and Central Support staff. It covers the provision of;

- Governance
- Strategic Planning and Management
- Educational Support Services
- Procurement
- Contract Management
- Human Resource Management & Employee Benefits Administration
- Marketing and Publicity
- Legal
- Strategic IT Support
- Strategic Estates Support

Trust Board will consider and review the Management Fee annually.

#### 4.5 Taxation

##### Value Added Taxation

The Trust is not registered for VAT but is able to recover VAT on expenditure from public funds via the VAT 126 method submitted to HMRC. Consequently, all financial returns are stated net of VAT. The Financial Controller will recover VAT from HMRC on a monthly basis, having ensured that the VAT fully reconciles with the trial balance.

### Income Tax

The staff across the Trust with responsibility for submitting employee information to the payroll bureau **must** ensure that all employees' payroll arrangements fully meet their tax obligations and comply with HMRC's guidance. Specific attention should be made to the employment and contract arrangements of individuals on the avoidance of tax. Individuals working for the Trust but not paid via the payroll will be assessed by the central finance team, using the government's "Check Employment Status for Tax" service and individuals will be issued with a Status Determination Statement, where necessary.

## 4.6 Internal Controls

### 4.6.1 Income

Public monies are to be maintained in separate bank accounts to non-public monies. This not only allows additional control over proper expenditure but also permits easier reconciliation of expenditure against specific grants.

All receipts should be accounted for as they are banked (or as the School is notified of bank transfers) and supporting documentation retained for audit.

Monies received from pupils for school trips should be married up on a trip by trip basis. Any differences between income and expenditure should either be refunded or taken as a donation.

Staff are not permitted to operate any bank accounts (or similar). All monies under the aegis of the individual Academy must be recorded and administered by the Academy's finance team.

Cash collected must not be replaced with personal cheques by any member of staff.

All cash collected should be passed on to the finance team and the monies banked at the earliest opportunity.

### Grant Income

Terms and conditions are attached to all grant income received by the Trusts schools and centrally. It is the responsibility of the Sales, Credit Control and Funding officer or other senior responsible finance officer to forward a copy of the terms and conditions

for each grant received to the Chief Finance Officer within 14 days of receipt of the terms and conditions. This must include any grant letter, guidance, contract or other relevant correspondence.

Regularity dictates that each grant must be expended per the terms of the agreement. It is the responsibility of the Financial Controller or other designated senior responsible finance officer to ensure that there are no breaches in regularity in the use of public funds.

Grant income must be appropriately accounted for in the period(s) that it relates to. The accruals concept must be adhered to such that income is evenly spread and matched to expenditure as it arises. This ensures that management accounts are not inappropriately overstated leading to suboptimal decision making by the Trust Executive and Trust Board.

### Lettings Income

The scale of charges for lettings and/or for the use of facilities must be approved by the Local Governing Body in writing. Free use and charges below economic cost must be authorised by the Local Governing Body and reported to the Chief Finance Officer in writing.

Lettings' arrangements must comply with the Trust's terms and conditions.

Detailed records of each letting must be retained.

The following points should be observed: -

- Charges are hourly based and paid in advance.
- A cancellation charge will be made in the event of inadequate notice being given.
- Lettings are to finish promptly at the agreed time.
- Over-runs will be charged at double rate and will be due immediately.
- A cleaning cost may be charged depending upon the nature of the event.
- Any damage retention charge made is payable at the same time as the letting charge; this charge is refundable in full if there is no loss or damage.

### Credit Control

The sales ledger shall be reviewed on a regular basis by the Sales, Credit Control and Funding Officer or equivalent. Any unpaid, old invoices shall be identified and the debtor

followed up with a series of telephone calls to prompt early payment. Details of any follow up action, including telephone conversations, shall be recorded.

Once the debtor becomes more than one month overdue then the customer shall be formally written to requesting payment.

A further letter will be sent after 45 days and a third letter will be sent after 60 days, threatening legal action.

In serious cases of non-payment the matter shall be referred to the Chief Finance Officer who shall raise the issue with the Trust's Audit and Risk Committee who will decide upon the appropriate course of action.

Should the payment be overdue for three months it shall be treated on a pessimistic basis and provided for in the accounts.

#### Write-offs and Bad Debts

Approval of the Chief Finance Officer is required before bad debts are written off.

The Chief Finance Officer must adhere to the procedures and delegated limits detailed in the ESFA's Financial Handbook.

#### **4.6.2 Budget Control and Limits of Delegated Authority**

It is the Trust's policy to provide a budgetary and reporting system which: -

- Provides detailed annual budgets which represent the financial implications of delivering each Academy's strategic plan.
- Encourages participation in the budget and planning process.
- Continues to portray a professional commercial attitude to the way the Academy manages its finances.
- Makes people accountable for their activities over which they have delegated responsibility and control.
- Provides timely and relevant financial information to the Academy and Trust.
- Enables the financial position of the Trust and each Academy to be monitored and evaluated and provides the opportunity for the implementation of corrective action where necessary.

- Enables the Trust and each Academy to make the best use of the available resources.

#### 4.6.3 Segregation of Duties

An important element in any control system is the separation of those duties which would, if combined, enable one individual to record and process a complete transaction. The Trust Board and each LGB must consider carefully how to establish a clear delegation of responsibilities with proper regard to segregation of duties.

In particular there is a need to separate the key functions of authorisation, execution, custody, recording and the development and operation of systems. Effective segregation reduces the risk of error or intentional manipulation.

The Trust Board and LGB's should be satisfied that there is adequate segregation of duties to ensure that the risk of error or fraud is minimised and where full segregation of duties is not possible that adequate compensating controls are in place.

#### 4.6.4 Banking

All grants and other income shall be paid into the Trust bank account. Control shall be delegated to the Chief Finance Officer for opening and closing bank accounts on behalf of the Trust.

A register of authorised signatories and the level of approval shall be maintained by the Financial Controller on behalf of the Chief Finance Officer.

Acting for the Chief Finance Officer, the Financial Controller shall be responsible for the security of bank statements and shall retain details of bank accounts and associated statements in a secure and proper manner.

#### 4.6.5 Investments

The Trust Board and LGB's have a duty to maximise income by the use of high-interest or deposit accounts and to keep to a minimum necessary funds in any non-interest bearing accounts.

The Chief Finance Officer, through the Financial Controller is responsible for monitoring the balance in each bank account and ensuring that each account remains in surplus.

Any investments should only be made in accordance with the Treasury Management Policy. Any investments should be compatible with charitable status and ensure the complete integrity of funds.

The Trust Board may invest to further the Trust's charitable aims, but **must** ensure that investment risk is properly managed. When considering making an investment the Trust Board **must**:

- act within their powers to invest as set out in their Articles of Association;
- have an investment policy to manage, control and track their financial exposure, and ensure value for money particularly if using unfamiliar investment techniques;
- exercise care and skill in all investment decisions, taking advice as appropriate from a professional adviser;
- ensure that security takes precedence over revenue maximisation;
- ensure that all investment decisions are in the best interests of the trust and command broad public support; and
- review the trust’s investments and investment policy regularly.

The Trust Board should follow the Charity Commission’s guidance: CC14 Charities and investment matters: A guide for trustees. ESFA prior approval **must** be obtained for investment transactions which are novel and/or contentious.

#### 4.6.6 Treasury Management

The Trust Board shall plan and conduct its affairs so as to remain solvent. The ESFA shall be informed immediately if it becomes apparent that spending in excess and advance of income is likely to occur.

#### 4.6.7 Borrowing

The Trust Board **must** seek the ESFA’s prior approval for borrowing (including finance leases not on the DfE approved list and overdraft facilities) from any source, where such borrowing is to be repaid from grant monies or secured on assets funded by grant monies, and regardless of the interest rate chargeable. Credit cards **must** only be used for business (not personal) expenditure, and balances cleared before interest accrues.

The Secretary of State’s general position is that academy trusts will only be granted permission for borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes in order to meet broader policy objectives. For example, the Salix scheme, designed to support energy saving, is available to trusts.

#### 4.6.8 Cash Security and Management

Cash receipts should be discouraged at all times with a preference to receive online payments. Where cash is received, a receipt should be issued and the receipt should be recorded by the office. The cash should be immediately put in the safe.

Safes shall be kept locked except when in use to deposit or remove monies or other items. Safe keys must be held by responsible persons at all times and 2 key holders should access the safe together, wherever possible.

Principals should ensure cash balances kept within the school safe does not exceed insured amounts.

When the cash balance in the safe approaches £1,000, the cash will be collected by the finance team or a cash collection service. If the cash balance is in excess of £1,000, the finance team will arrange a cash collection service. The school staff will count the money with the school staff member to verify the cash balance matches that recorded. Monies shall not be counted in public view or left unattended even temporarily.

#### **4.6.9 Bank Reconciliation**

On a weekly basis the relevant Finance Staff shall reconcile the bank statements with the computer records.

A monthly bank reconciliation will be reviewed by the Trust Senior Finance Manager.

Records of all documents used during the reconciliation process shall be retained and shall be kept in a secure and proper manner.

#### **4.6.10 Payroll**

It is the policy of the Trust that staff, whether full-time or part-time, shall only be employed for whom financial provision has been made and the budget approved by the Trust Board.

Access to personnel files shall be strictly restricted to those members of staff with delegated responsibility.

Personnel files shall be kept in a locked cabinet at all times, when not in use by authorised staff, and must be returned at the end of each day.

Authorised HR and Finance staff across the Trust shall be responsible for the provision of relevant information to the payroll bureau to enable all salaries to be paid.

#### **Amendments**

During the year, the payroll will require updating for starters, leavers, pay rises, promotions etc. Such amendments shall only be passed on to the payroll bureau if they are entered on an appropriate form (electronic or paper as appropriate), and authorised by a member of the Senior Management Team. Amendments relating to any member of the SMT (apart from the Principal) should be authorised by the Principal and

amendments relating to the Principal should be authorised by the CEO. A copy of each form shall be retained by the Academy.

#### Expenses and Allowances

All claims for payment, which are to be made through the payroll system, shall be made on the standard forms and authorised by the CEO, Chief Finance Officer, Principal or other authorised signatory.

The authorisation of a claim shall be taken to mean that the certifying member of staff is satisfied that the expenses:

- comply with the School or Trusts rates, regulations and procedures
- were properly and necessarily incurred on the School or Trust's behalf
- have been calculated correctly
- have not previously been passed for payment

No member of staff shall be allowed to authorise his/her own claim for the payment of expenses. All claims must be authorised by a more senior person. The Principals' claims shall be signed by an Executive. The CEO's claims shall be signed by the Chief Finance Officer.

Details of the Trust's rules, regulations and procedures in relation to travel and subsistence claims are contained in the Travel and Expenses policy, available from the Trust's Director of Human Resources & Culture.

#### **4.6.11 Assets**

The Trust **must** seek and obtain prior written approval from ESFA for the following transactions:

- acquiring a freehold of land or buildings;
- disposing of a freehold of land or buildings; and
- disposing of heritage assets beyond any limits set out in the trust's funding agreement in respect of the disposal of assets generally. Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture, as defined in applicable financial reporting standards.

Other than land, buildings and heritage assets, any other fixed asset can be disposed of without the approval of ESFA. The disposal must achieve the best price that can reasonably be obtained, and maintain the principles of regularity, propriety and value for money. This can involve public sale where the assets have a residual value.

Additional guidance is available from the ESFA to help the Trust seek consent for land and buildings transactions. ESFA prior approval **must** be obtained for property transactions which are novel and/or contentious.

Trust assets are those items which are intended for use on a continuing basis in the Trust's activities. Generally such assets shall have a value of more than £250 and a useful economic life of at least three years.

The Local Governing Body of each Academy shall be ultimately responsible for maintaining proper security of all buildings, furniture, equipment, plant, stores and other assets of the Academy.

It is the responsibility of each Principal to maintain an Asset Inventory that contains the details of all separately identifiable assets which comply with the previous definition.

The inventory must hold the details of: -

- Additions
- Disposals
- Transfers
- Write-offs
- Damage or loss

Each member of staff who occupies a post of responsibility shall be responsible for maintaining proper security of all equipment, plant, stores and specialist furniture and all other assets under his/her control. As an added measure of security, all serial numbers of IT and audio-visual equipment shall be recorded and maintained separately within the Asset Inventory.

It is the responsibility of all members of staff to take proper care and attention of the Trust's assets. To this end all rooms holding equipment shall be kept secure when not in use.

### Asset Management Plan

In addition to the Asset Inventory, the Trust's Facilities and Estates Team shall maintain an overall Asset Management Plan, detailing the long-term investment needed to maintain the Trust's assets at Academy level. This plan shall cover both fixed and operational assets and will be reviewed at least once per annum by the Audit and Risk Committee. The Plan should be used to inform both the School Development Plan and Annual Budget.

### Capitalisation

All assets over £1,000 will be capitalised and added to the Asset Inventory.

When multiple assets, of the same asset type, are purchased together they will be capitalised if the combined value is more than £1,000, even though the individual value of the assets may be less than £1,000.

Assets will be depreciated over their useful life, in line with the depreciation policy.

Where assets are purchased from a school's annual budget, the asset will be capitalised during the year-end process by the finance team.

### Disposals

The authorisation of the Trust's Chief Finance Officer shall be required before an asset with an estimated sale value of over £250 is written off.

A department disposing of an asset shall not automatically be entitled to the proceeds of such a disposal. The Principal shall have the discretion to allocate such proceeds to whichever budget heading is determined to be most appropriate.

Where the estimated sale value is less than £250, then the asset may be disposed of by whatever method the Principal considers to be the most appropriate and financially advantageous to the School. Details of the sale should be recorded by the Finance Team.

Where the estimated sale value exceeds £250 then details shall initially be circulated to all other departments within the Trust. If no acceptable bids are received within one week then the asset will be advertised publicly and competitive tenders obtained. The Trust's Facilities and Estates Team will control the tendering process, and the Trust shall notify the ESFA in writing of all such disposals. At the end of the financial year, a list of disposals shall be produced.

In the event of a sale to a member of staff, both the Principal and the Chief Finance Officer must approve the transaction. If the Principal is the purchaser, the Chief Finance Officer and CEO must give their approval.

Items of furniture and equipment written off shall be physically disposed of. A record of the action shall be made by the Facilities and Estates Team and recorded on the Asset Inventory.

The Fixed Asset Disposal Form must be completed and sent to the Financial Controller so the asset can be removed from the accounting records. For IT disposals, a copy of the form must also be sent to the Network Manager to be removed from the IT asset register. A copy of the form to be completed is below. As much detail as possible should be entered onto the form to ensure the asset can be traced to asset records.

#### Loan of Assets

School assets are publicly funded for the benefit of each Academy's students. As such, the loan of school assets to members of staff is not permitted.

#### Loss of Equipment

Actual or suspected loss of equipment should be notified to Academy Principal immediately. Equipment lost or suspected lost must be brought to the attention of the Chief Finance Officer.

#### **4.6.12 Insurance**

The Chief Finance Officer shall be responsible for developing an insurance strategy which identifies the risks facing the Trust, the types of insurance cover to protect against these risks and the level of cover proposed, which at a minimum must meet the requirements of the ESFA. All schools will be covered by the Risk Protection Arrangement.

The Chief Finance Officer shall also have the delegated power to authorise any additional or temporary insurance to meet further risks that may arise during the year.

The Principal of the Academy and Chief Finance Officer of the Trust must be notified immediately in writing by staff members of any loss, liability or damage or any event likely to lead to a claim by the Academy or by third parties against the Academy or any of the members of staff and shall take such action as may be necessary to satisfy any insurance policy condition.

#### **4.6.13 Expenses**

Details of allowable expenses and claim procedures are held in the Trust's Travel and Expenses policy, which is available via the intranet.

#### 4.6.14 Credit Cards

The Trust holds a credit card centrally and permits Academies to use credit cards for appropriate purposes where the production of an invoice is impractical, for example when booking train tickets or ordering items online. An authorisation form must be completed before a credit card transaction is made.

Cards must be retained in a safe and released only when in use. Sales vouchers, invoices and receipts are passed to the relevant Finance Staff for reconciliation with the bank statement and charge card statement. The expenses are posted to the accounts.

Cards may only be used for Trust purposes and under no circumstances for personal use.

The balance on the cards is paid in full each month by direct debit.

Prepaid travel cards are managed centrally by the Trust and will be issued to member of staff for trips as an alternative to cash. Please see the Travel and Expenses Policy for further information.

#### 4.6.15 Leasing

There are two types of lease:

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

The Trust permits Academies to enter into operating leases with the agreement of the Chief Finance Officer.

Operating leases relating to land or buildings require the approval of the ESFA.

In addition the Trust **must** obtain prior approval from ESFA for the following leasing transactions:

- taking up a finance lease on any class of asset not on the DfE approved list for any duration from another party (borrowing);
- taking up a leasehold or tenancy agreement on land or buildings from another party for a lease term of more than five years; and
- granting a leasehold interest, including a tenancy agreement, of any duration, on land or buildings to another party.

All lease arrangements must maintain the principles of regularity, propriety and value for money, whether or not the prior approval of ESFA is required. The Chief Finance

Officer shall seek advice from the external auditor if there is any doubt over whether a lease involves an element of borrowing.

#### 4.6.16 Risk Management

The Trust Board should make a considered choice about the desired risk profile, taking account of the Trust’s legal obligations, business objectives and public expectations.

The Trust **must** recognise, manage and track present and future risks arising from its operations, including a likelihood and impact assessment. The Chief Finance Officer is responsible for maintaining the overall Trust Risk Register.

The Trust’s Chief Finance Officer is responsible for making a contingency and business continuity plan setting out what it would do to ensure its continued operation.

#### 4.6.17 Retention of Records

All accounting and financial records across the Trust shall be kept for a minimum period of seven years from the end of the accounting year to which they relate. These will consist of official orders, paid invoices, accounts raised, bank statements, copies of receipts and cheque stubs.

Certain records will be kept for longer periods:

<b>Records</b>	<b>Period of Retention</b>
Board and Local Governing Body Minutes	<i>Indefinite</i>
Audit and Risk Committee Minutes	<i>10 years</i>
Annual Accounts	<i>Indefinite</i>
Returns to the LA, DfE and ESFA	<i>10 years</i>
Asset Inventories	<i>Indefinite</i>

The proper retention of financial records is the responsibility of the Chief Finance Officer. Important documents are kept in a secure and fire-proof location.

#### 4.7 Month-End Procedures

At month end there are accounting activities which must take place to ensure the accounts are a true reflection of the activity which has taken place during the accounting period. There should be a **close off** date where **the period is closed** (day 5) and the accounts are produced and analysed and a commentary is written explaining any

significant differences between the budget and actual Year to Date (YTD). Once the close date has been reached/agreed, the system period must be locked down and there must be no further processing/backdating of transactions to the closed period.

The following activities must be carried out at month end:

1. **Review of the accounts** at the end of the accounting period to determine where accruals or prepayments are required.
2. **Accruals and prepayments** prepared, authorised and input on the General Ledger. Accruals should include:
  - i. Expenditure where goods / services have been received during the accounting period but may not yet have been invoiced (this should include expenditure on the credit card which has not yet been invoiced).
  - ii. Income which was generated during the period which may not yet have been invoiced / received.

Prepayments should be posted where:

- i. An invoice or direct debit has been posted into the accounts for a service which is for a period longer than the accounting period e.g. Photocopier leasing where the Direct Debit which has been posted is for 3 months but it is only month 1 – you should then post a prepayment for 2 months.
3. **Depreciation** Journals should be prepared and posted for depreciation of assets at year end (see asset guidelines)
4. **Bank Reconciliation** – this includes all cashbook journals as follows:
  - i. Credit Card Statement
  - ii. Bank Interest
  - iii. Direct Debits (these should be posted during the period where possible)
  - iv. All Income received in the period and paid in to the bank.
5. **Cashflow** – Cashflow should be recorded to date and a cashflow forecast for the next 12 months.
6. **Adjustment Journals** – once all processing has been completed, a review of the accounts should be carried out to ensure that all activity has been coded to the correct ledger codes and cost centres. Where there are coding errors adjustment journals should be prepared by senior members of the finance team and posted to the accounts.

7. **Reconciliation** – All Balance Sheet (including control) accounts should be reconciled to ensure there is a full audit trail and understanding of the balances on each account.
  
8. **Management Accounts** – A summary report showing the budget vs actual to date and a budget holders cost centre report showing the activity at cost centre level should be produced along with a commentary explaining any significant differences. This should be reported to the Principal and LGB in each school and Chief Finance Officer along with the cashflow statement.

Journal Processing – It is important to ensure that all activities which have taken place during the course of the month are accurately reflected in the accounts. A review of journals will be made each month with line managers checking the journal postings of their direct reports.

Checklists for Month-End Procedures, including journals, are maintained online and are reviewed and signed off by the Financial Controller.

#### 4.8 Financial Reporting

The Chief Finance Officer is responsible for preparing an annual report and accounts in conjunction with the Trust's Accounting Officer, incorporating accounting policies approved by the Board of Trustees. The accounts must be audited by a statutory auditor.

Financial reports are produced for a variety of different users. These include: -

- Academy Principals
- SMT and Leadership Team
- Heads of Department
- External Auditors
- OFSTED
- ESFA and DfE
- Audit and Risk Committee
- Governing Bodies
- Trust Board
- CEO and Executive Team

### Reports for Internal Use

Internal reporting is usually based on cost centre information, but the level of detail will depend on the requirements of the end-user. For example, department heads will wish to see details of each individual transaction, whereas the Leadership Team will want an overview of the school-wide situation and details of significant items only.

Following the month-end closedown procedures, monthly management reports are produced for each Academy by the relevant Finance Staff. The Trust Senior Finance Manager produces monthly management information for the Trust Board. Notes of significant variances and relevant explanations where useful are appended to the reports.

### Reports for External Bodies

Reports to the ESFA are produced by the Central Finance Team in line with the published ESFA requirements.

Reports for other external bodies, including other government agencies are produced as required in the specified format by the Chief Finance Officer.

## **4.9 Proper and Regular use of Public Funds**

**The Trust must be able to show that public funds have been used as intended by Parliament.**

Academy trusts are independent institutions and the financial accountability system set out in the ESFA Financial Handbook reflects this by providing Trusts with autonomy over financial transactions arising in the Trust's normal course of business. Some transactions have delegated authority limits beyond which the Trust **must** seek prior approval of ESFA. If unsure about the approval process, the Trust should contact ESFA for further guidance and application forms.

For further details regarding the principles and disclosure requirements, reference should be made to the ESFA Financial Handbook.

#### 4.10 Trading with Related Parties

The Trust **must** pay no more than ‘cost’ for goods or services provided to it by the following persons (‘services’ do not include services provided under a contract of employment):

- any member or trustee of the Trust;
- any individual or organisation connected to a member or trustee of the Trust. For these purposes the following persons are connected to a member, or trustee:
  - a relative of the member or trustee. A relative is defined as: a close member of the family, or member of the same household, who may be expected to influence, or be influenced by, the person. This includes, but is not limited to, a child, parent, spouse or civil partner;
  - an individual or organisation carrying on business in partnership with the member, trustee or a relative of the member or trustee;
  - a company in which a member or the relative of a member (taken separately or together), and/or a trustee or the relative of a trustee (taken separately or together), holds more than 20% of the share capital or is entitled to exercise more than 20% of the voting power at any general meeting of that company;
  - an organisation which is controlled by a member or the relative of a member (acting separately or together), and/or a trustee or the relative of a trustee (acting separately or together). For these purposes an organisation is controlled by an individual or organisation if that individual or organisation is able to secure that the affairs of the body are conducted in accordance with the individual’s or organisation’s wishes;
- any individual or organisation that is given the right under the Trust’s Articles of Association to appoint a member or trustee of the Trust; or anybody related to such individual or organisation;
- any individual or organisation recognised by the Secretary of State as a sponsor of the academy trust; or anybody related to such individual or organisation.

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

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

The 'at cost' requirement applies to contracts for goods and services from a related party:

- agreed by the Trust on or after 7 November 2013; and
- exceeding £2,500, cumulatively, in any one financial year of the trust.

For these purposes, where a contract takes the Trust's cumulative annual total with the connected party beyond £2,500, the element above £2,500 must be at no more than cost.

In relation to organisations supplying legal advice or audit services to the Trust, the 'at cost' requirement applies where the organisation's partner directly managing the service is a member or trustee of the trust, but not in other cases for those organisations. The Companies Act 2006 and the ethical standards of some professions also contain requirements which may prevent certain professionals from acting as a trustee of the Trust.

The 'at cost' requirements do not apply to the trust's employees unless they are also one of the parties described above.

The Trust **must** ensure that any agreement with an individual or organisation referred to above to supply goods or services to the Trust is properly procured through an open and fair process and is:

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

For these purposes the cost will be the 'full cost' of all the resources used in supplying the goods or services. Full cost includes:

- all direct costs (the costs of any materials and labour used directly in producing the goods or services); and
- indirect costs (comprising a proportionate and reasonable share of fixed and variable overheads).

Full cost **must not** include an element of profit.

Whilst these provisions do not apply to contracts of employment, the same principles of securing value for money and using public money properly, including managing conflicts

of interest, will still apply. Salaries paid should be appropriate to the individual's skills and experience and the salary rates paid in the wider market.

#### 4.11 Novel and/or Contentious Transactions

Novel payments or other transactions are those of which the Trust has no experience, or are outside the range of normal business activity. Contentious transactions are those which might give rise to criticism of the Trust by Parliament, and/or the public, and/or the media. Novel and/or contentious transactions **must** be referred to the ESFA by the Chief Finance Officer for explicit prior authorisation.

#### 4.12 Financial Complaints Handling

For the purpose of this section, a complaint is defined as an expression of dissatisfaction. Complaints may be received from;

- Staff
- External Funders
- Governors / Sponsors
- Auditors
- Members of the Public

All investigations will be conducted with due regard to Human Resource policies and guidance relating to the rights of staff; also Trust Safeguarding policies.

In the event that the Trust wishes to register a complaint with an external organisation e.g. funders, auditors etc. this will be facilitated and managed via the Chief Finance Officer. The Chief Finance Officer will liaise with and obtain approval from the Audit and Risk Committee before any formal complaint is registered with an external organisation.

#### 4.13 Bribery and Fraud Prevention

The Trust is committed to the highest standards of probity and accountability and has a zero tolerance policy towards fraud, bribery and any form of dishonesty in its transactions. The Trust derives much of its income from public funds and other charitable organisations, and so has a particular responsibility to ensure that income and resources are used solely and properly for the purposes intended. The Trust is committed to reducing its risk of fraud to the lowest possible level.

A positive culture of transparency, aligned with good awareness of both internal controls and the possible indicators of fraud, will help to ensure that the Trust continues

to protect its assets and safeguards its disbursement of public monies. Fraudulent activities can include theft.

The Trust expects that all staff will exercise the highest standards of probity in their conduct. This will include the following:

- **Accountability:** Actions of Trust staff within each of its academies must be able to stand the tests of audit, propriety and professional codes of conduct;
- **Probity:** absolute honesty and integrity should be exercised in dealing with assets, staff, students, suppliers and the public;
- **Openness:** the Trust's activities should be sufficiently public and transparent to promote confidence between the Trust and its funding partners, staff, students and the public.

Acts of bribery, theft, fraud and deliberate falsification of records by staff employed anywhere within the Trust, are considered acts of gross misconduct in terms of the Trust's staff disciplinary procedures. The CEO and Chair of Trustees should be informed of all suspected or detected fraud at the earliest opportunity. Where there is direct evidence of fraud (or suspected fraud), the Trust's policy is to advise the police. The Trust will co-operate fully with the police and pursue prosecutions where advised that this is feasible.

Senior leaders and managers should note that anyone suspected of committing a crime has rights under the law. Therefore, no action (such as interviewing staff) should be taken in cases of suspected fraud without prior consultation with the CEO. It is important that any criminal investigation takes precedence over internal disciplinary investigations. Continuing with an internal investigation when a criminal investigation is underway can invalidate both processes and jeopardise any legal or disciplinary proceedings.

The creation of a positive anti-fraud awareness culture is a key objective of this policy. Staff are required to understand the potential risk of fraud faced by the Trust and each of its academies and that fraud is a serious matter. It is the responsibility of all staff to be 'fraud aware' and take the necessary steps to minimise the risk to the Trust. To facilitate this, the Anti-Fraud & Corruption Policies will be made available to all Trust staff at each of its academies.

Managers have the prime role in the prevention of fraud; the effective enforcement of the Trust's internal controls is a management responsibility. Managers should therefore be alert to the possibility that unusual events may be the symptoms of fraud or attempted fraud. Employees with managerial responsibility are also responsible for ensuring that adequate systems of internal control exist within their area of responsibility, appropriate to the risk involved and that those controls are properly operated and complied with by all staff.

The practical requirements of managers are to:

- Have an understanding of the fraud risks in their areas and to consider where processes under their control might be at risk.
- Have adequate processes and controls in place to prevent, deter and detect fraud.
- Be diligent in their responsibilities as managers, particularly in exercising their authority in authorising transactions such as timesheets, expense claims, purchase orders and contracts.
- Deal effectively with issues raised by staff including taking appropriate action to deal with reported or suspected fraudulent activity.
- Report suspected frauds according to the process outlined
- Provide support / resource as required to fraud investigations.

All staff are responsible for:

- Acting with propriety in the use of Trust resources and in the handling and use of Trust funds, whether they are involved with cash or other forms of payment systems, receipts or dealing with contractors and suppliers;
- Being alert to the possibility that unusual events or transactions could be indicators of fraud;
- Reporting details immediately to their line manager or where appropriate directly to the Chief Finance Officer if they suspect that a fraud or irregularity has been committed or see any suspicious acts or events;
- Co-operating fully with Trust employees or agents conducting internal checks or reviews or fraud investigations.

Staff should feel free to bring to management's attention areas of weakness they have identified in the procedures they use and to suggest improvements to these procedures to reduce the possibility of fraud. Confidentiality will be respected.

A key factor in guarding against fraud is for there to be adequate segregation of duties, so that no one individual has overall management of payments, income or assets. Clear division of responsibility will therefore be defined in all processes associated with these activities.

The Trust is committed to maintaining an honest and open environment to reduce the risk of fraud to the lowest possible level and to the rigorous investigation of any suspected fraud. The Trust therefore encourages anyone having reasonable suspicions of fraud to report them. No employee will be disadvantaged in any way as a result of reporting reasonably held suspicions. Such suspicions should be raised in the first instance with the immediate line manager, or should the line manager be the subject of suspicion, the next most appropriate senior person. The line manager should then raise the matter with the Chief Finance Officer. If the Chief Finance Officer is subject to suspicion then the matter should be raised directly with the CEO. The CEO should raise the matter with the Audit and Risk Committee.

The CEO must report to Chair of Trustees and the Audit and Risk Committee without delay, serious weaknesses, significant fraud or irregularity or any major accounting or other control breakdown which comes to light, other than through the external auditor's work as these will be reported to these parties by the external auditor directly.

Serious weakness includes an activity that has or may result in an attempted, suspected or actual significant fraud. Significant fraud is usually where one or more of the following applies:

- The sums of money involved are, or potentially are, in excess of £10,000;
- The particulars of the fraud are novel, unusual or complex;
- There is likely to be public interest because of the nature of the fraud or the people involved.

The CEO must also report any suspected fraud to the ESFA in line with any values specified in the annual funding letter if such an amount is specified.

With regard to bribery, Trust employees working in any of its academies or any other person working on behalf of the Trust must not:

- Offer or make a bribe, unauthorised payment or inducement of any kind to anyone;
- Solicit business by offering a bribe, unauthorised payment or inducement to a third party;
- Accept any kind of bribe, unauthorised payment or inducement that would not be authorised by the Trust in the normal course of events.

Trust employees or any other person working on behalf of the Trust must:

- Refuse any bribe, inducement or unauthorised payment that is offered in a clear manner that could not lead to any misunderstanding;
- Report all such offers received;
- Report all perceived or potential breaches of this policy

## Part 5: Purchasing and Procurement

### 5.1 Procurement Policy

The Trust has implemented a Procurement Policy which details the procedures to be followed when making purchasing decisions regarding good or services. The Procurement Policy and accompanying Procurement Decision Tree are available on the intranet.

### 5.2 Requisitions and Purchase Orders

No member of staff, including the Principal, is authorised to raise a purchase order requisition for goods or services not budgeted for. Likewise, staff and the Principal are not permitted to raise a purchase order requisition for sums that exceed the budgeted provision.

A purchase requisition form must be completed and authorisation obtained from the appropriate budget holder, via the online ordering system. Either the central finance team, the office administrators or the budget holder will place the order with the supplier. It should be noted that a budget holder can only purchase items from their own budget allocation. All order requests shall state quantities, prices, supplier details and a full description of the goods.

Insufficient funds within a budget will lead to the rejection of the purchase requisition and the order will not be placed.

Once the order has been authorised, an order number is automatically allocated. Official orders shall be used for the purchase of goods for the School itself and in no circumstances shall orders be used for other purposes.

This procedure, which is not time consuming, must not be overruled or bypassed for the supply of work, goods or services placed as a matter of urgency. Goods and services **must not** be requisitioned without an approved purchase order

Cancelled orders shall be marked “cancelled order”, dated and a brief explanation given. All cancelled or spoilt orders shall be retained

#### **Agency Staff**

The Trust is committed to ensuring that Teaching and Learning is uninterrupted. It is inevitable that at times there will be a demand for short-term agency workers to cover such absences as sick leave. Prior to considering the use of agency staff, Principals are required to consider utilising cover supervisors and other teaching staff who have available non-teaching hours for cover. Quality of teaching and learning and outcomes must also be considered, as must budget availability.

Agency staff can be used to cover for;

- Short term teaching staff absences including planned and sickness absence
- Short term (no longer than one term) teaching staff vacancy cover, whilst the recruitment process is taking place.

Agency staff should not be used within any school long term and should not be used for associate staff posts. Maternity should be covered via the use of short-term contracts.

The principal holds ultimate responsibility for the Agency Staffing budget. As with other budgets the Agency Staff budget must not be exceeded without prior authorisation of the Chief Finance Officer and Chief Executive.

Breaches of Agency Staffing expenditure will be specifically reported to the Executive Team, Audit and Risk Committee and Trust Board. Principals will be required to provide an account (written or in person) of why they have breached the Trusts Financial Regulations.

### **5.3 Goods Received**

The originator is responsible for ensuring that the goods or services received comply with the order specification. Delivery notes shall be checked and entered onto the online ordering system. The supplier/carrier shall be notified of shortages or rejected items.

### **5.4 Payment of Invoices**

When a purchase invoice is received it shall be posted by the Data Entry Clerk for that school. The invoice will be matched to the order and the goods received note on the online ordering system.

Any price increases will be queried by the Data Entry Clerk and the originator of the order will be informed of any change in terms and conditions.

The Data Entry Clerk will check prices, calculations, trade discounts, other allowances, credit and VAT are correct, and will then enter the details on the computerised financial management information system.

The Data Entry Clerk will verify the validity of the invoice.

The Purchase Ledger Supervisor will prepare a payment run and two authorised members of staff will approve the payment run.

Details of current signatories can be found on the bank mandate, which is held by the Financial Controller.

Details of the amount, supplier, date, order number shall be recorded on the appropriate part of the cheque stationery.

### **5.5 Petty Cash**

Petty cash is to be held on an Imprest System. Receipts into petty cash will be either from the bank as a reimbursement or the repayment of part or all of an advance drawn from petty cash. All receipts are retained by the Finance Officer, recorded in a petty cash book and entered on the financial management system.

The petty cash book is reconciled to the cash whenever a request for reimbursement is made.

### **5.6 Tendering Procedures**

Details regarding the Trust's Tendering Procedures are provided in the Procurement Policy.

### **5.7 New Suppliers**

When an order is to be placed with a supplier not on the accounting system, a New Supplier Form should be completed and submitted to the Purchase Ledger Supervisor. The Purchase Ledger Supervisor will review the request to assess if a similar supplier, already on the system, could be used and if not, will be added to the system.

Where a supplier is above the Procurement threshold, a credit report will be sought and reviewed to ensure the credibility of the business.

New supplier bank details will be requested on company letter headed paper. The bank details will also be confirmed via phone call.

### **5.8 Direct Debits**

Direct debits can be setup for payments of regular invoices. A direct debit mandate will be prepared and signed in line with the bank mandate before being returned to the supplier. The supplier must be recorded as being paid by direct debit on our accounting system to prevent any duplicate payments being made. Payments should be posted promptly and ensured they have been matched to an invoice.

Standing orders are not to be setup unless authorised by the Chief Finance Officer.

## 5.9 Suppliers Amendments

Amendments to supplier details, such as name and address changes can be made by managers within the finance team following receipt of an email. Changes to bank details cannot be made without verifying the changes via phone call, using a phone number for the supplier already held on our system.

A report of new suppliers and amendments to new suppliers will be generated monthly and sample checked to supporting documentation.

## Part 6: Audit Requirements

### Statutory audit

In accordance with the Companies Act 2006, the Trusts **must** appoint an auditor, to certify whether the accounts present a true and fair view of the trust's financial performance and position; and produce audited accounts.

The contract for the audit **must** be in writing. This **must** take the form of a letter of engagement. The letter of engagement **must** only cover the external audit. If additional services are to be purchased, a separate letter of engagement **must** be obtained which **must** specify the precise requirements of the work and the fees to be charged.

### Removal of auditors

The letter of engagement **must** provide for the removal of auditors, before the expiry of the term of office, in exceptional circumstances. Proposals to remove auditors **must** require a majority vote of the members who **must** provide reasons for their decision to the academy trust's board. If the auditors resign, there **must** be a requirement in the letter of engagement for them to provide the trust with an explanation, within 14 days of their resignation.

The Trust Board **must** notify ESFA immediately of the removal or resignation of the auditors. In the case of removal, the trust's board **must** notify ESFA of the reasons for the removal. In the case of resignation, the trust **must** immediately copy to ESFA a statement of explanation from the auditors.

### Group auditors and consolidation

The financial accounts of each academy trust will be consolidated into those of ESFA and DfE. ESFA will use a combination of audited accounts, 'accounts returns' and other information to generate the consolidated accounts, and these accounts will be audited by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (C&AG). The NAO will audit the consolidated accounts in accordance with International Standards on Auditing, and will undertake appropriate procedures in accordance with that framework to satisfy the C&AG that these accounts are true and fair. To this end,

each trust is a component of the consolidation and the Trust's management **must** prepare the financial information requested by ESFA for this purpose.

The Academy Trust's auditors will be required by ESFA to audit certain information, and this requirement should be incorporated within the terms of engagement.

The C&AG is also required to reach an opinion on regularity for ESFA's and DfE's accounts, and will draw on the regularity opinions expressed by trusts' auditors.

### Regularity audit

#### Accounting Officer's statement

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

- public money is spent for the purposes intended by Parliament (regularity);
- appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under their control (propriety); and
- there is efficient and effective use of resources in their charge (value for money).

The format of the statement is included within ESFA's accounts direction. The Accounting Officer also has a responsibility to advise the Trust Board and ESFA of any instances of irregularity or impropriety, or non-compliance with the terms of the trust's funding agreement and/or this handbook.

#### Auditor's review of regularity

A review of the Accounting officer's statement **must** be included within the remit of academy trusts' external auditors. The auditor's conclusions on regularity **must** be addressed jointly to the trust and to the Secretary of State through ESFA. The ESFA will draw formal assurance from this regularity audit. Further information is included in the accounts direction.

#### Funding audit

Funding audits allow ESFA to gain assurance on the key raw data provided by an academy trust which are used in the calculation of recurrent funding grants, and whether this data is accurate, complete and supported by evidence. The scope and timing of ESFA's funding audit approach is determined annually.

## National Audit Office and Public Accounts Committee

The National Audit Office (NAO) has the right to access the books of accounts and all relevant records, files and reports of an academy trust for inspection, or for the carrying out of value for money studies. The Trust **must** cooperate with NAO officials and their contractors and provide such help, information and explanation as is reasonable and necessary.

The NAO's findings are considered by the Public Accounts Committee (PAC). The PAC has the power to call anyone, including past and current Accounting Officers of a trust, to account for the proper use of public funds.

### Audit access rights

The ESFA or its agents may from time-to-time carry out audits at the academy trust. The Trust **must** provide ESFA with access to all books, records, information, explanations, assets and premises, and ESFA may take copies of any relevant documents. The ESFA may conduct interviews during its audits at any reasonable time. The ESFA will give the trust reasonable advance notice in writing of its proposed audits.

## **Part 7: Provision of Information**

The Trust **must** provide the ESFA, or its agents, with information ESFA requires in exercising its responsibilities and to meet funding requirements. This information **must** be of sufficient quality to meet the purposes for which it has been requested. The Trust **must** provide the information when and how ESFA and its agents request it. The ESFA will consider the impact on academy trust business in the deadlines it specifies for the provision of information.

On occasion, the ESFA will require urgent information from the Trust, usually as a result of requests to ESFA to fulfil its duties to provide information to the Secretary of State and account to Parliament. The ESFA will act reasonably in its requests for information and will have regard to the costs and timescales of providing the information, and where appropriate to its confidentiality. In requesting information, the ESFA will also consider information previously supplied by the Trust to ESFA or other stakeholders with whom ESFA is realistically able to share information. The ESFA may also request information that the trust gathers to meet its own needs.

In the event that the Trust does not return the information the ESFA requires by the specified deadline, or that the information is not of an acceptable quality, ESFA may carry out whatever investigations it deems necessary to collect the information, where appropriate in consultation with the trust. The ESFA may, as necessary, deduct all or part of the cost of the investigations from ESFA's recurrent funding of the Trust.

The Trust **must** notify the ESFA of the vacating or filling of the positions of Chair of the Board of Trustees, Accounting Officer and Chief Financial Officer, within 14 days of that change.

## **Part 8:        Systems and Data Security**

The Audit and Risk Committee, in conjunction with the Principals and Chief Finance Officer, will ensure that suitable accounting systems are implemented within the Trust. The system will have the following incorporated features:

- authorisation and supervisory controls to ensure transactions are properly recorded or that errors are identified;
- record protection against unauthorised modifications, destruction, disclosure or loss whether by accident or intention;
- authorised staff access to the accounting records which will be securely retained when not in use;
- accounting records maintenance and security; vouchers or other documents relating to financial transactions stored for 7 years in accordance with the Companies Act; and
- financial transactions traceability from the original documentation to the accounting records and vice versa.

All the financial transactions of the Trust must be recorded on the PS Financial accounting system.

Access to PS Financials and any computer systems holding information on staff, students or of a financial nature will be by secure password. Where access to specific component parts of the system can be restricted, the Financial Controller will be responsible for setting and periodically reviewing access levels for all members of staff using the system.

The Financial Controller is responsible for ensuring that there are effective back up procedures for the system in order to prevent loss of data. The Chief Finance Officer will ensure that staff delegated to undertake this function is appropriately trained. As part of the business continuity arrangements, the Chief Finance Officer will prepare a disaster recovery plan in the event of loss of financial facilities or financial data. This will link with the annual assessment of major risks.

## Annex A: Definitions

Academic year	The 'school year' starting 1 September and ending 31 August.
Academy trust	The company which has entered into a funding agreement with the Secretary of State to run one or more academies.
Accounting officer	The senior executive of the academy trust, designated as accountable for regularity, propriety and value for money. This is named as the Chief Executive Officer.
Articles of Association	The articles set out the Trust's charitable object and governance arrangements.
Asset	Anything that is capable of being owned or controlled to produce value and that is held to have positive economic value. Can be 'revenue' (e.g. cash) or 'capital' (e.g. a building).
Balanced budget	A formal budget plan setting out projected income and expenditure drawing on unspent funds from previous years as necessary. Trusts do not have to balance income and expenditure in each year to zero and can carry forward unspent GAG (if eligible).
Capital	Capital assets or funding are those from which an academy trust can expect to derive a benefit for more than one year: typically land, buildings, vehicles, information technology etc. Capital assets are usually referred to as fixed assets.
Chief Executive Officer	The senior executive of the Trust and head of the executive management team.
Chief Finance Officer	The individual who leads the finance department, the Chief Finance Officer.
Companies House	Is the UK's Registrar of Companies.

Education and Skills Funding Agency	The ESFA is an executive agency of the DfE that acts as the agent of the Secretary of State. It is due to be absorbed into the DfE from March 2025. All references to the ESFA in this handbook refer to the successor DfE teams.
Effectiveness	Obtaining the desired outcome.
Efficiency	Obtaining the best possible outcome for the resources input.
Financial year	This is the same as the academic year, from 1 September to 31 August.
Funding agreement	The agreement between the Trust and the Secretary of State, which includes funding arrangements, obligations of both parties and termination provisions.
General Annual Grant	GAG is the main source of revenue funding for the Trust.
Principal	The head teacher of an academy.
Propriety	The requirement that expenditure and receipts must be dealt with in accordance with Parliament's intentions and the principles of parliamentary control. This covers standards of conduct, behaviour and corporate governance.
Public funds	Funds which, ultimately, derive from parliamentary authority. All academy trusts' income, expenditure, assets and liabilities are consolidated into the accounts of DfE and will be considered by Parliament to be public unless otherwise demonstrated.
Regularity	The requirement to deal with all items of income and expenditure in accordance with legislation, the terms of the Trust's funding agreement and the ESFA Financial Handbook, and compliance with internal Trust procedures. This includes spending public

money for the purpose intended by Parliament.

Secretary of State

The Secretary of State for the Department for Education.

Statement of Recommended Practice

The Charity Commission's document Accounting and Reporting by Charities: Statement of Recommended Practice (SORP), which describes the form and content of charity accounts.

Value for money

Achieving the best possible educational and wider societal outcomes through the economic, efficient and effective use of all the resources in the Trust's charge, the avoidance of waste and extravagance, and prudent and economical administration.

Whistleblowing

When an employee reports suspected wrongdoing at work and makes a disclosure in the public interest, under the protection of the Public Interest Disclosure Act 1998 as appropriate.

## Annex B: Document Control

<b>Date</b>	<b>Issue no.</b>	<b>Details</b>
November 2014	1.0	Complete Manual
February 2018	2.0	Updated
July 2019	3.0	Updated
September 2022	4.0	Updated
May 2024	5.0	Updated
March 2025	6.0	Updated