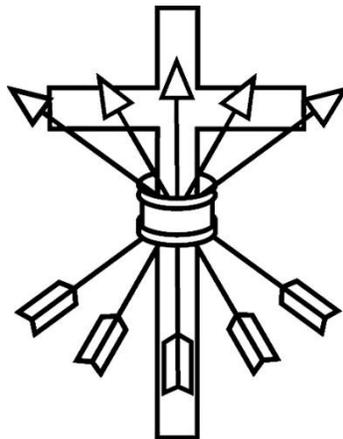


WADDES DON CHURCH OF ENGLAND SCHOOL



FINANCE POLICY

POLICY STATUS:	Education & Skills Funding Agency (ESFA) requirement
BASED ON ESFA ACADEMIES FINANCIAL HANDBOOK DATED: SEPT 2020	Sept 2020
COMMITTEE RESPONSIBLE:	Finance and Property
GOVERNING BODY APPROVAL:	06.10.21
REVIEW DATE:	Autumn Term 2022

Introduction

Waddesdon Church of England School converted to academy status on 1st September 2011. It is a company limited by guarantee incorporated in England & Wales under company number 7743646.

This policy has been reviewed and revised with reference to the Academies Financial Handbook (September 2020), to be known from September 2021 as the Academy Trust Handbook (This is to ensure the title of the Handbook accurately reflects the full range of important content it contains) and covers the duties and obligations of the academy trust arising from the Funding Agreement. The policy should be used alongside these publications and all links contained within.

The Headteacher is designated as the Accounting Officer and takes personal responsibility for assuring the governors that there is compliance with the Handbook and all relevant aspects of company and charitable law.

A Register of Business Interests is maintained of all governors and staff with significant financial or spending powers. It is reviewed and updated on an annual basis.

The accounting period of Waddesdon Church of England School (the academy) is set out in its Funding Agreement, reporting to a 31st August year end. The audited accounts are submitted to the ESFA by 31st December each year.

The governance statement must include an assessment of the academy trust's governance, including a review of the composition of the Governing Body in terms of skills, effectiveness, leadership and impact, using the six key features of effective governance set out in the Governance Handbook i.e. strategic leadership, accountability, people, structures, compliance and evaluation.

The academy trust maintains accounting records and provides publicly accessible accounts in line with the Statement of Recommended Practice (SORP) for charities.

It is a condition of the academy trust's company and charitable status that the annual accounts are filed at Companies House for public access, and also that a copy of the accounts is provided to anyone who requests them. The annual accounts are available on the academy website no later than the end of January following the financial year to which the accounts relate.

Get Information about Schools (GIAS formerly Edubase)

The trust must notify the DfE of the appointment or vacating of the positions of members and governors, Chair of governors, Accounting Officer and Company Secretary, including direct contact details within 14 days of that change. Notification **must** be made through the Get Information about Schools section of the DfE's Secure Access Site. The trust must ensure that its record on GIAS for all individuals holding the above positions remains up to date.

Roles & Responsibilities

The Governing Body has wide responsibilities under statute and regulations, charity law, the Funding Agreement and the Academy Handbook. Whilst it has wide discretion over the use of the academy's funds, it is ultimately responsible for the proper stewardship of the funds from the Education & Skills Funding Agency (ESFA) and must ensure economy, efficiency and effectiveness in their use.

Academy trusts are companies limited by guarantee and exempt charities. The Governing Body 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 it. These responsibilities are mutually reinforcing and are there to ensure proper governance and conduct of the trust.

The key requirements are reflected in the Articles of Association, the Funding Agreement, and the Academy Trust Handbook. Governors should follow the guidance in the Governors' Handbook which sets out the legal duties applying to, and core role and strategic functions of the Governing Body. Governors **must** be aware of the Charity Commission's guidance for trustees.

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

Governors and management **must** have the skills, knowledge and experience to run the academy trust. Understanding their role will help ensure the trust complies with legal and contractual duties.

Members

As charitable companies limited by guarantee every trust has members who have a similar role to the shareholders of a company limited by shares. They:

- are the subscribers to the trust's memorandum of association (where they are founding members)
- may amend the articles of association subject to any restrictions in the articles or in the academy trust's Funding Agreement or Charity Law
- may, by special resolution, appoint new members or remove existing members other than, where there is one, the foundation/sponsor body and any members it has appointed
- have powers to appoint governors as set out in the trust's articles of association and powers under the Companies Act 2006 to remove governors
- may, by special resolution, issue direction to the governors to take a specific action
- appoint the trust's external auditors and receive (but do not sign) the audited annual report and accounts (subject to the Companies Act)
- have power to change the company's name and, ultimately, wind it up.

The academy trust **must** have at least three members, although the DfE's strong preference is that trusts should have at least five members. Having more members:

- provides for a more diverse range of perspectives
- ensures members can take decisions via special resolution without requiring unanimity.

Members **must not** be employees of the trust, nor occupy staff establishment roles on an unpaid voluntary basis. This requirement is effective from 1 March 2021.

There should be significant separation between the individuals who are members and those who are governors. If members sit on the governing body this may reduce the objectivity with

which the members can exercise their powers. The DfE's strong preference is for a majority of members to be independent of the Governing Body.

As responsibility to conduct the trust's business sits with the Governing Body, members should be 'eyes on and hands off' and avoid compromising the governing body's discretion.

- However if the governance of the trust by the Governing Body becomes dysfunctional the members will have a strong interest in ensuring the body has plans to address the issues or otherwise to remove the governing body or individual governors and re-appoint governors with the skills necessary for effective governance.
- It is important, therefore, for members to be kept informed about trust business so they can be assured that the Governing Body is exercising effective governance. This **must** include providing the members with the trust's audited annual report and accounts.

Both members and governors should adhere to the 'seven principles of public life' (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

The Governing Body

The Governors of the academy trust are both charity trustees and company directors. This policy refers to them as Governors.

In church academies, the term 'trustees' is reserved for those on the board of the separate trust owning the land.

The Governing Body focus on three core functions:

- ensuring clarity of vision, ethos and strategic direction
- holding senior leaders to account for the educational performance of the school and its pupils, and the performance management of staff
- overseeing and ensuring effective financial performance.

The Governing Body **must** apply the highest standards of conduct and ensure robust governance, as these are critical for effective financial management. They should follow the [Governance Handbook](#), which describes the following features of effective governance and will aid compliance with the Academies Financial Handbook:

- **strategic leadership** that sets and champions vision, ethos and strategy
- **accountability** that drives up educational standards and financial performance
- **people** with the right skills, experience, qualities and capacity
- **structures** that reinforce clearly defined roles and responsibilities
- **compliance** with statutory and contractual requirements
- **evaluation** of governance to monitor and improve its quality and impact

Governors **must** comply with the trust's charitable objects, with company and charity law, and with their contractual obligations under the [funding agreement](#). Company directors' duties are described in sections 170 to 181 of the [Companies Act 2006](#), but in summary are 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 accept benefits from third parties
- declare interest in proposed transactions or arrangements

As an employer, the trust has a range of wider obligations including such matters as employment law and health and safety.

The Governing Body must ensure regularity and propriety in use of the trust's funds, and achieve [economy](#), [efficiency](#) and [effectiveness](#) – the three elements of [value for money](#). The Governing Body must also take ownership of the trust's financial sustainability and its ability to operate as a [going concern](#).

Chair of Governors

The chair is responsible for ensuring the effective functioning of the Governing Body and for setting professional standards of governance and accountability for the board. ESFA will help chairs and their boards to do this if required.

Employees

Whilst the members can decide whether to appoint the Head Teacher as a Governor, the DfE's strong preference is for no other employees to serve as governors, nor for governors to occupy staff establishment roles on an unpaid voluntary basis, in order to retain clear lines of

accountability. This does not prevent governors from carrying out internal scrutiny as described below.

Delegation

The governing body **must** appoint an audit and risk committee – either a dedicated committee or combined with another committee, to advise the governing body on the adequacy of the trust’s internal control framework, including financial and non-financial controls and risk management arrangements, to direct a programme of internal scrutiny and to consider the results and quality of external audit.

The Governing Body may also delegate functions to other committees. Each committee **must** contain a majority of governors, but it may also include other people the board chooses to appoint.

Academy trusts must not have de facto trustees (defined in appendix 1 of the [Charities SORP](#)) or shadow directors (defined in section 251(1) of the Companies Act 2006).

The Governing Body delegates the regular monitoring of the academy’s financial activity to the Finance and Property Committee, which also acts as the audit and risk committee. This Committee will ensure that the Governing Body is kept fully informed about financial issues through the presentation of minutes and briefings.

The Committee will work to **Terms of Reference** drawn up by the Governing Body. Its main function is to consider and make recommendations to the Governors on all financial and budgetary matters including:

- consideration of the annual budget for presentation to the full Governing Body;
- approval of arrangements to secure compliance with financial regulations;
- ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 2006 and the DfE guidance to academies;
- The process for independent checking of financial controls, systems, transactions (Internal Audit) is carried out by the Responsible Officer.

Internal Scrutiny:

The academy has established the Finance & Property Committee to be the audit committee to provide assurance over the suitability of, and compliance with, its financial systems and controls. Taking into account the differing risks and complexity of their operations.

The academy operates a combined finance and audit committee. Staff may be members but should not participate as members when audit matters are discussed; they may remain in attendance to provide information and participate in discussions.

The committee's work must focus on providing assurances to the Governing Body that all risks are being adequately identified and managed with particular regard to reviewing the risks to internal financial control.

Oversight must ensure that information submitted to the DfE and the ESFA that affects funding, including pupil number returns and funding claims completed by the trust, are accurate and in compliance with funding criteria.

Skills and experience

The Governing Body identifies the skills and experience it needs, including financial knowledge, and addresses gaps through recruitment, and/or induction, training and other development activities. This is particularly important at key transition points. The [Governance Handbook](#) identifies training material to help governors develop and engage fully with their role. This includes a [competency framework for governance](#) that trusts should refer to in determining whether they have skills gaps.

Established trusts should include an annual assessment, including a review of the governing body's composition in terms of skills, effectiveness, leadership and impact.

Trusts should refer to the features of effective governance in the [Governance Handbook](#) (strategic leadership, accountability, people, structures, compliance and evaluation).

They can also refer to the [20 key questions for the governing board to ask itself](#), and [21 questions for multi-academy trust boards](#) published by the All-Party Parliamentary Group on Education, Governance and Leadership.

The Governing Body will:

- consider and approve the annual budget plan, and any subsequent proposed variations/revisions;
- ensure that bank accounts, financial systems and financial records are operated by more than one person;
- ensure the budget is developed with reference to the academy's strategic aims and objectives as stated in the School Development Plan;
- establish and review, annually, the financial limits of delegated authority;
- review from time to time the Register of Interests and to ensure its accuracy;
- ensure that the budget is managed effectively and accurate records are maintained and that these are available for audit and inspection as required;
- ensure that effective financial procedures are in place and carried out;
- consider the recommendations from internal (Responsible Officer) and external audit reports and ensure that any required action is implemented promptly;
- ensure that the academy trust's property is under the control of the governors, and that measures are in place to prevent losses or misuse, including maintenance of adequate fixed asset registers;
- ensure the preparation of accruals accounts, giving a true and fair view of the academy trust's incoming resources and application of resources during the year, and the state of affairs at the year-end, in accordance with existing accounting standards;
- approve the staffing complement and pay policy and ensure, in conjunction with the Headteacher, that salary payments are made only to academy employees in accordance with their appropriate conditions of employment and for services provided for the academy (including appropriate tax and NI deductions) and to ensure that payroll changes are accurately recorded and promptly processed;
- act as a 'Critical Friend' to the Headteacher by providing advice, challenge and support.

Adopt the following principles of Best Value

- Compare the academy's performance with that of other schools;
- Challenge whether the academy's performance is enough;
- Compete to secure economic, efficient and effective services;

- Consult with stakeholders about services provided and evaluate the effectiveness of spending decisions;
- ensure that the range of financial competencies of governors and staff involved in financial management is such that the academy is not over-reliant on one individual;
- consider the annual insurance premiums for risk and ensure they are appropriate and adequate.

Accounting Officer

The Headteacher, acting as the Accounting Officer, accepts responsibility for the propriety and regularity of public finances for which they are answerable. The appointment of an accounting officer does **not** remove the Governing Body's responsibility for the proper conduct and financial operation of the trust. The accounting officer role includes specific responsibilities for financial matters. It includes a personal responsibility to Parliament, and to ESFA's accounting officer, for the trust's financial resources.

Accounting officers **must** be able to assure Parliament, and the public, of high standards of probity in the management of public funds, particularly [regularity](#), [propriety](#) and [value for money](#).

Accounting officers **must** adhere to [The 7 principles of public life](#).

The accounting officer **must** have oversight of financial transactions, by:

- ensuring the academy trust's property and assets are under the trustees' control, and measures exist to prevent losses or misuse
- ensuring bank accounts, financial systems and financial records are operated by more than one person
- keeping full and accurate accounting records to support their annual accounts

The accounting officer **must** complete and sign a [statement on regularity, propriety and compliance](#) each year and submit this to ESFA with the audited accounts. The accounting officer **must** also demonstrate how the trust has secured value for money via the governance statement in the audited accounts.

The accounting officer **must** take personal responsibility (which **must not** be delegated) for assuring the governing body that there is compliance with the funding agreement and handbook.

The accounting officer **must** advise the governing body in writing if action it is considering is incompatible with the [articles](#), [funding agreement](#) or handbook.

Similarly, the accounting officer **must** advise the governing body in writing if the governing body fails to act where required by the funding agreement or handbook. Where the governing body is minded to proceed, despite the accounting officer's advice, the accounting officer **must** consider the governing body's reasons and if the accounting officer still considers the action proposed by the governing body is in breach of the articles, the funding agreement or handbook, the accounting officer **must** notify ESFA's accounting officer immediately in writing.

The Headteacher delegates the day to day management of the finances to the Business Manager who is the Chief Financial Officer.

The Chief Financial Officer (Business Manager)

The governing body **must** appoint a [chief financial officer](#) (CFO), who is (and whose job title may instead be) the trust's finance director, business manager or equivalent, to whom responsibility for the trust's detailed financial procedures is delegated. The CFO play both a technical and leadership role. The CFO is employed by the trust, and the trust **must** obtain prior ESFA approval if it is proposing, in exceptional circumstances, to appoint a CFO who will not be an employee.

The CFO and their finance staff **must** be appropriately qualified and/or experienced. Trusts must assess whether the CFO, and others holding key financial posts, should have a business or accountancy qualification and hold membership of a relevant professional body, dependent on the risk, scale and complexity of financial operations. ESFA encourages larger trusts (for example over 3000 pupils) to consider the range of accountancy qualifications available from professional bodies such as the [ICAEW](#), [ACCA](#), [CIMA](#) or [CIPFA](#) (including CIPFA qualifications developed in partnership with [ISBL](#)), and take this into account when filling CFO vacancies.

CFOs should maintain continuing professional development and undertake relevant ongoing training.

The CFO need not discharge all their duties personally. The trust may employ additional staff or contractors with the relevant skills and knowledge at the appropriate time.

The CFO will be responsible for:

- the keeping of proper accounts;
- prudent and economical administration;
- the avoidance of waste and extravagance;
- ensuring value for money;
- the efficient and effective use of all resources in his/her charge;
- ensuring that sound internal financial controls are in place;
- ensuring the effective implementation of current financial systems, policies and procedures even in the absence of key staff;
- compiling an annual budget (revenue and capital) for presentation to the Finance and Property Committee and final approval of the Governing Body, ensuring that the academy has received the correct entitlement to delegated funding via the ESFA;
- ensuring the production of regular, reconciled budget / financial reports for Governors, the ESFA, or other bodies as necessary;
- considering and responding promptly to recommendations identified in audit (Responsible Officer) reports and Ofsted recommendations and advising the Governing Body of remedial actions to be implemented;
- preparing a Charging and Remissions policy for approval by the Governing Body;
- ensuring the maintenance of an inventory for all academy responsibility items ensuring the adequacy of the academy's insurance arrangements;
- preparing and implementing the academy pay policy and appointments procedures, reviewing staffing requirements and curriculum needs as necessary;
- preparing a statement to demonstrate the academy has secured Value for Money;
- preparing a statement for inclusion in the Annual Report, on governance, regularity, propriety and compliance.

The Clerk to the Governing Body

The academy trust **must** appoint a clerk to support the governing body who is someone other than a trustee, principal or chief executive of the trust. A clerk can help the efficient functioning of the board by providing:

- guidance to ensure the governing body works in compliance with the appropriate legal and regulatory framework, and understands the potential consequences of non-compliance
- advice on procedural matters relating to operation of the governing body
- administrative and organisational support

For non-executive governors a knowledgeable clerk to the board (or company secretary) is an essential part of their tool kit.

ESFA Annual letter

The ESFA Accounting Officer sends a letter annually to the academy's Accounting Officer covering issues pertinent to his/her role such as developments in the accountability framework and findings from the ESFA's work with trusts. The Accounting Officer must share this letter with the Governors, Company Secretary (Business Manager) and other members of the Leadership team, to be discussed and where appropriate strengthen the academy's financial systems and controls.

Financial Oversight

Governors and management **must** maintain robust oversight of the academy trust.

The trust **must** take full responsibility for its financial affairs and stewardship of assets, and use resources efficiently to maximise outcomes for pupils.

Governing Body Meetings

The governing body and its committees **must** meet regularly enough to discharge their responsibilities and ensure robust governance and effective financial management. Governing body meetings **must** take place at least three times a year (and business conducted only when quorate), although trusts should consider meeting more frequently. If the governing body meets less than six times a year it **must** describe in its governance statement, accompanying its annual accounts, how it maintained effective oversight of funds with fewer meetings.

Scheme of delegation

The governing body cannot delegate overall responsibility for the academy trust's funds. However, it **must** approve a written scheme of delegation of financial powers that maintains robust internal controls. This is contained in the detailed section below.

The academy trust has a Property & Finance committee to which the governing body delegates financial scrutiny and oversight, and which can support the governing body in maintaining the trust as a going concern.

Basic control principles

The academy trust **must** have sound internal control, risk management and assurance processes. This should follow a tiered approach 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

The control framework **must**:

- ensure delegated financial authorities are complied with
- maintain appropriate segregation of duties
- co-ordinate the planning and budgeting process
- apply discipline in financial management, including managing debtors, creditors, cash flow and monthly bank reconciliations
- [plan and oversee capital projects](#)
- manage and oversee assets, and maintain a fixed assets register
- ensure [regularity](#), [propriety](#) and value for money in the organisation's activities
- reduce the risk of fraud and theft
- deliver independent checking of controls, systems, transactions and risks

Financial Planning

The governing body **must**:

- ensure that financial plans are prepared and monitored, satisfying itself that the trust remains a [going concern](#) and financially sustainable
- take a longer term view of the trust's financial plans consistent with the requirement to submit three-year budget forecasts to ESFA

- as part of its management of the trust's funds, explain its policy for holding reserves in its annual report. Information on how the trust must report on reserves is set out in the [Accounts Direction](#).

Setting a budget

The governing body, and any separate committee responsible for finance, **must** ensure rigour and scrutiny in budget management. They **must** approve a [balanced budget](#), and any significant changes to it, for the financial year to 31 August, which can draw on unspent funds brought forward from previous years. They **must** minute its approval.

The governing body **must** ensure budget forecasts for the current year and beyond are compiled accurately, based on realistic assumptions including any provision being made to sustain capital assets, and reflect lessons learned from previous years. It should challenge pupil number estimates as these underpin revenue projections and review these termly.

Governing bodies are encouraged to take [an integrated approach to curriculum and financial planning](#) (School Modeller) so that they are confident about planning the best curriculum for their pupils and delivering the trust's educational priorities with the funding they have available.

Governing bodies should refer to DfE's material on improving school resource management including the [top 10 planning checks for governors](#). To help manage capital assets and budgets they should refer to the [Good estates management for schools](#) guidance including the [organisation self-assessment tool](#), [top 10 estate checks for boards](#) and material on [strategic estate management](#).

Sending the budget to ESFA

- The academy trust **must** submit to ESFA, in a form specified by ESFA:
 - an [academies budget forecast return outturn \(BFRO\)](#) each May
 - an [academies budget forecast return three year \(BFR3Y\)](#) each July in accordance with deadlines published annually
- These **must** be approved by the governors before submission.
- The governing body **must** notify [ESFA](#) within 14 calendar days of its meeting if proposing to set a deficit revenue budget for the current financial year, which it cannot

address after taking into account unspent funds from previous years, as this would be non-compliant with the funding agreement and this handbook.

Monitoring the budget

- The trust **must** prepare management accounts every month setting out its financial performance and position. Management **must** take appropriate action to ensure ongoing viability.
- Management accounts **must** be shared with the chair of governors every month irrespective of the trust's size, and with the other governors six times a year, even if they do not meet in each of those months. The governing body **must** consider these when it does meet, and minute it.
- The governing body **must** ensure appropriate action is being taken to maintain financial viability including addressing variances between the budget and actual income and expenditure.
- The format of monthly management accounts **must** include an income and expenditure account, variation to budget report, cash flows and balance sheet.
- The trust **must** select key financial performance indicators and measure its performance against them regularly, including analysis in its annual trustees' report as explained in the [Accounts Direction](#).
- Where the board has concerns about financial performance, it should act quickly ensuring the trust has adequate financial skills in place.

Cash management

The trust **must** manage its cash position robustly. It **must** avoid becoming overdrawn on any of its bank accounts so that it does not breach restrictions on borrowing. It may be required to report on its cash position to ESFA where there are concerns about financial management.

Investments

The governing body may invest to further the trust's charitable aims, but **must** ensure investment risk is properly managed. When considering an investment the board **must**:

- act within its powers to invest as described in its [articles](#)

- have an investment policy to manage and track its financial exposure, and ensure [value for money](#)
- exercise care and skill in investment decisions, taking advice as appropriate from a professional adviser
- ensure exposure to investment products is tightly controlled so security of funds takes precedence over revenue maximisation
- ensure investment decisions are in the trust's best interests
- review the trust's investments and investment policy regularly

The governing body should follow the Charity Commission's guidance: [CC14 Charities and investment matters: A guide for trustees](#). [ESFA's](#) approval **must** be obtained for [novel, contentious and/or repercussive investments](#).

Procurement and spending decisions

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

- **Procurement basics**

The academy trust **must** ensure:

- spending has been for the purpose intended and there is probity in the use of public funds
 - spending decisions represent [value for money](#)
 - internal delegation levels exist and are applied
 - a competitive tendering policy is in place and applied, and the procurement rules and thresholds in the [Public Contracts Regulations 2015](#) are observed unless alternative arrangements to these regulations are introduced
 - professional advice is obtained where appropriate
- The DfE strongly recommends the [deals for schools](#) that make buying simpler and quicker, and can provide better value for money.

Setting executive pay

- The governing body **must** ensure its decisions about levels of executive pay (including salary and any other benefits) follow a robust evidence-based process and are a

reasonable and defensible reflection of the individual's role and responsibilities. No individual can be involved in deciding their remuneration.

- The governing body **must** discharge its responsibilities effectively, ensuring its approach to pay and benefits is transparent, proportionate and justifiable, including:
 - process - that the procedure for determining executive pay and benefits, and keeping them proportionate, is agreed by the governing body in advance and documented
 - independence - decisions about executive pay and benefits reflect independent and objective scrutiny by the governing body and that conflicts of interest are avoided
 - robust decision-making - factors in determining pay and benefits are clear, including whether educational and financial performance considerations, and the degree of challenge in the role, have been taken into account
 - proportionality – pay and benefits represent good value for money and are defensible relative to the public sector market
 - commercial interests - ensuring the governing body is sighted on broader business interests held by senior executives, and is satisfied that any payments made by the trust to executives in relation to such interests do not undermine the transparency requirements for disclosing pay in accordance with the Academies Accounts Direction
 - documentation - the rationale behind the decision-making process, including whether the level of pay and benefits reflects value for money, is recorded and retained
 - a basic presumption that executive pay and benefits should not increase at a faster rate than that of teachers, in individual years and over the longer term
 - understanding that inappropriate pay and benefits can be challenged by ESFA, particularly in instances of poor financial management of the trust.

Publication of executive pay

- The trust **must** publish on its website in a separate readily accessible form the number of employees whose benefits exceeded £100k, in £10k bandings, as an extract from the disclosure in its financial statements for the previous year ended 31 August. Benefits for this purpose include salary, other taxable benefits and termination payments, but not the trust's own pension costs. In the case of employees who are governors, their salary and other benefits will also be disclosed in £5k bandings in the trust's financial statements, as set out in the model trustees' remuneration note in the [Academies Accounts Direction](#).

- The trust is reminded of requirements under the [Equality Act 2010 \(Specific Duties and Public Authorities\) Regulations 2017](#) for organisations with 250 or more employees to publish information on their website and on the [government's reporting website](#) about the [gender pay gap](#) in their organisation

Tax arrangements for senior employees

The academy trust **must** ensure its senior employees' payroll arrangements fully meet their tax obligations and comply with HM Treasury's guidance about the employment arrangements of individuals on the avoidance of tax. This is described in HM Treasury's [Review of the Tax Arrangements of Public Sector Appointees](#) which explains that senior managers with significant financial responsibilities should be exclusively on payroll, and therefore subject to Pay As You Earn with income tax and NI contributions deducted at source. Failure to comply with these requirements can result in a fine by HM Treasury.

Purchase of alcohol

The trust's funds **must not** be used to purchase alcohol for consumption, except where it is to be used in religious services.

Income Generation

- The academy trust should set fees for its chargeable services at full cost, but can apply an additional rate of return when in a commercial environment.

Risk management

Oversight of risk and the risk register

- The trust **must** manage risks to ensure its effective operation and **must** maintain a risk register:
 - Overall responsibility for risk management, including ultimate oversight of the risk register, **must** be retained by the governing board, drawing on advice provided to it by the audit and risk committee.
 - Other committees may also input into the management of risk at the discretion of the governing body.
 - Aside from any review by individual committees, the governing body itself **must** review the risk register at least annually.

- Risk management covers the full operations and activities of the trust, not only financial risks.
- The trust's management of risks **must** include contingency and business continuity planning.

The risk protection arrangement

- The academy trust **must** have adequate insurance cover in compliance with its legal obligations and is a member of the academies risk protection arrangement (RPA). Not all risks are covered in the RPA (e.g. Vehicle insurance), these continue to be covered by a broker.
- The trust should consider the RPA unless commercial insurance provides better value for money. If the trust is not an RPA member, it should determine its own level of commercial insurance to include buildings and contents, business continuity, employers' and public liability insurance and other cover required.
- The trust **must** cooperate with risk management auditors and risk managers, and implement reasonable [risk management audit recommendations](#) made to them.

Whistleblowing

Having a procedure

- The academy trust **must** have procedures for whistleblowing, to protect staff who report individuals they believe are doing something wrong or illegal.
- The governors **must** agree the whistleblowing procedure and publish it on the trust's website.
- The trust should appoint at least one governor and one member of staff who other staff can contact to report concerns.

Informing staff

- The trust **must** ensure all staff are aware of the whistleblowing process, and how concerns will be managed.
- Staff should know what protection is available to them if they report someone, what areas of malpractice or wrongdoing are covered in the trust's whistleblowing procedure, and who they can approach to report a concern.

- The trust **must** ensure all concerns raised with them by whistleblowers are responded to properly and fairly.

Being transparent about our governance

- The trust **must** be transparent with its governance arrangements.
- The trust **must** provide details of its governance arrangements in the governance statement published with its annual accounts, including what the governing body has delegated to committees. The trust **must** also publish on its website up-to-date details of its governance arrangements in a readily accessible format, including:
 - the structure and remit of the trust's members, governing body, committees and the full names of the chair of each
 - for each of the trust's members serving at any point over the past 12 months, their full names, date of appointment, date they stepped down (where applicable), and relevant business and pecuniary interests including governance roles in other educational institutions
 - for each governor serving at any point over the past 12 months, their full names, date of appointment, term of office, date they stepped down (where applicable), who appointed them, and relevant business and pecuniary interests including governance roles in other educational institutions. If the accounting officer is not a trustee their business and pecuniary interests **must** still be published.
 - for each governor their attendance records at board and committee meetings over the last academic year

Provision of Information

General information requests

- The academy trust **must** provide ESFA, or its agents, with information ESFA requires to meet funding requirements. This information **must** be of sufficient quality and provided when and how ESFA and its agents request it. ESFA will consider the impact on the trust in the deadlines it specifies.
- On occasion, ESFA will require urgent information from the trust, usually because of requests to ESFA to fulfil its duties to provide information to the Secretary of State and account to Parliament. ESFA will act reasonably in requests for information and have

regard to costs and timescales of providing it, and its confidentiality. In requesting information, ESFA will consider information previously supplied by the trust to ESFA or other stakeholders with whom ESFA is able to share information.

Information about key individuals in the trust

- The trust **must** notify ESFA of changes to the governance information described in this section within 14 calendar days of the change.
- Notification **must** be through the governance section of DfE's [Get information about schools](#) (GIAS) register, accessed via [DfE Sign-in](#).
- All fields specified in GIAS for the individuals **must** be completed and the trust **must** ensure its record in GIAS for the individuals is kept up to date.
- The records required in GIAS for the trust are:
 - members
 - chair of governors
 - all other governors
 - [accounting officer](#)
 - [chief financial officer](#)

Failure to provide information

If the trust does not return the information ESFA requires by the deadline, or the information is not acceptable quality, ESFA may conduct investigations to collect it. ESFA may deduct the cost of the investigations from the trust's recurrent funding. ESFA may take further actions it deems necessary, such as publication of the names of late returners, to enforce compliance where trusts fail to fulfil their duties to provide information.

Internal Scrutiny

Purpose

All academy trusts **must** have a programme of internal scrutiny to provide independent assurance to the board that its financial and non-financial controls and risk management procedures are operating effectively.

Approach

Internal scrutiny **must** focus on:

- **evaluating** the suitability of, and level of compliance with, financial and non-financial controls. This includes assessing whether procedures are designed effectively and efficiently, and checking whether agreed procedures have been followed
- **offering advice and insight** to the board on how to address weaknesses in financial and non-financial controls, acting as a catalyst for improvement, but without diluting management's responsibility for day to day running of the trust
- **ensuring all categories of risk** are being adequately identified, reported and managed.

The trust **must** identify on a risk-basis (with reference to its risk register) the areas it will review each year, modifying its checks accordingly. For example, this may involve greater scrutiny where procedures or systems have changed.

Working with other assurance providers

Internal scrutiny should take account of output from other assurance procedures to inform the programme of work. For example, it should have regard to recommendations from the trust's external auditors as described in their management letter, and from relevant reviews undertaken by ESFA.

Independence and objectivity

Independence in internal scrutiny **must** be achieved by establishing appropriate reporting lines whereby those carrying out checks report directly to a committee of the board, which in turn provides assurance to the trustees.

Directing internal scrutiny – the audit and risk committee

Requirement for a committee

- The academy trust **must** establish an audit and risk committee, appointed by the governing body.
- Other trusts **must** either have a dedicated audit and risk committee or can combine it with another committee, such as finance.

- The audit and risk committee should meet at least three times a year.
- The governing body have approved the Finance & Property committee on this basis

Remit of the committee in relation to internal scrutiny

The audit and risk committee **must**:

- direct the trust's programme of internal scrutiny
- ensure that risks are being addressed appropriately through internal scrutiny
- report to the governing body on the adequacy of the trust's internal control framework, including financial and non-financial controls and management of risks.

Membership of the committee

- Employees of the trust should not be audit and risk committee members, but the accounting officer and chief financial officer should attend to provide information and participate in discussions.
- The chair of governors should not be chair of the audit and risk committee.
- Where the audit and risk committee is combined with another committee, employees should not participate as members when audit matters are discussed.

Operating the committee

The committee **must**:

- have written terms of reference describing its remit
- agree a programme of work annually to deliver internal scrutiny that provides coverage across the year
- review the ratings and responses on the risk register to inform the programme of work, ensuring checks are modified as appropriate each year
- agree who will perform the work
- consider reports at each meeting from those carrying out the programme of work
- consider progress in addressing recommendations
- consider outputs from other assurance activities by third parties including ESFA financial management and governance reviews, funding audits and investigations
- have access to the external auditor as well as those carrying out internal scrutiny, and consider their quality

Oversight **must** ensure information submitted to DfE and ESFA that affects funding, including pupil number returns and funding claims (for both revenue and capital grants) completed by the trust is accurate and in compliance with funding criteria.

Delivering internal scrutiny

Principles

Internal scrutiny **must**:

- be independent and objective – for example it **must not** be performed by the trust's own accounting officer, chief financial officer or other members of the finance team
- be conducted by someone suitably qualified and experienced and able to draw on technical expertise as required
- be covered by a scheme of work, driven and agreed by the audit and risk committee, and informed by risk
- be timely, with the programme of work spread appropriately over the year so higher risk areas are reviewed in good time
- include regular updates to the audit and risk committee by the person(s) or organisation(s) carrying out the programme of work, incorporating:
 - a report of the work to each audit and risk committee meeting, including recommendations where appropriate to enhance financial and non-financial controls and risk management
 - an annual summary report to the audit and risk committee for each year ended 31 August outlining the areas reviewed, key findings, recommendations and conclusions, to help the committee consider actions and assess year on year progress.

Whilst the audit and risk committee is responsible for directing the internal scrutiny, the findings **must** also be made available to all trustees promptly.

Options

The trust **must** deliver internal scrutiny in the way most appropriate to its circumstances.

Options include:

- employing an in-house internal auditor
- a bought-in internal audit service, from a firm, other organisation or individual with professional indemnity insurance
- the appointment of a non-employed governor
- a peer review by the chief financial officer from another academy trust. The trust should satisfy itself that the trust supplying the reviewer has a good standard of financial management and governance and should minute the basis for its decision. The peer reviewer should be independent of the trust.
- The trust may combine the above options. The trust may also use other individuals or organisations where specialist non-financial knowledge is required.
- To ensure those carrying out the programme of internal scrutiny work are suitably qualified and/or experienced:
 - auditors should be members of a relevant professional body
 - trustees and peer reviewers performing the work should have qualifications in finance, accounting or audit, and appropriate internal audit experience. Trusts should work towards this position where it is not already the case.

Trusts should note that the Financial Reporting Council's revised [Ethical Standard](#) states that a firm providing external audit to an entity shall not also provide internal audit services to it. The Standard includes transitional arrangements which permit existing audit engagements at 15 March 2020 to conclude. In order to minimise threats to objectivity and independence in the internal scrutiny of academy trusts, ESFA considers that the term internal scrutiny should be viewed in the same way as internal audit.

The trust **must** keep its approach to internal scrutiny under review. If it changes in size, complexity or risk profile, it should consider whether its approach remains suitable.

External reporting and transparency

- The trust **must** confirm in its governance statement, accompanying its annual accounts, which of the internal scrutiny options it has applied and why. The outcome of the work **must** also inform the accounting officer's statement of regularity in the annual accounts.
- The trust **must** submit its annual summary report of the areas reviewed, key findings, recommendations and conclusions (as presented to the audit and risk committee under section [3.15](#) by the person(s) or organisation(s) carrying out the programme of work) to ESFA by 31 December each year when it submits its audited annual accounts. If the trust uses additional individuals or organisations where specialist non-financial knowledge is required, as permitted above it should reflect their findings, recommendations and conclusions as part of the summary document submitted to ESFA. The trust **must** also provide ESFA with any other internal scrutiny reports if requested.

Annual accounts and external audit

Preparation and audit of accounts

- The academy trust **must** maintain adequate accounting records and prepare an annual report and accounts in line with the Charity Commission's Statement of Recommended Practice (SORP) and ESFA's Accounts Direction.
- The accounts **must** be audited.
- The accounting period of an academy trust will usually end on 31 August as described in its [funding agreement](#).
- The audited report and accounts **must** be:
 - submitted to ESFA by 31 December
 - published on the trust's website by 31 January
 - filed with [Companies House](#) under company law, usually by 31 May
 - provided to every member (under the Companies Act)
 - provided to anyone who requests a copy

External auditors

Appointment of external auditors

- Under the [Companies Act 2006](#), academy trusts **must** appoint an auditor to certify whether their annual accounts present a true and fair view of the trust's financial performance and position (appointment being by the members, other than where the Companies Act permits the governors to appoint)
- The audit contract **must** be in writing. This letter of engagement **must** only cover the external audit. If additional services are purchased, a separate letter of engagement **must** be obtained specifying the work and the fee. Trusts should note that auditors are subject to the Financial Reporting Council's [Ethical Standard](#) which aims to strengthen auditor independence and prevent conflict of interest where additional services are provided to a client.

Removal of external auditors

- The letter of engagement **must** allow for 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 board. There **must** be a requirement in the letter of engagement for the auditors to provide the trust with an explanation if the auditors resign, within 14 calendar days of their resignation.
- The governing body **must** notify [ESFA](#) immediately of the removal or resignation of the auditors. For removal, the trust **must** notify [ESFA](#) of the reasons. For resignation, the trust **must** copy to [ESFA](#) an explanation from the auditors. A change in auditor at the expiry of their agreed term of office does not require notification to ESFA.

Group auditors and sector account

- DfE will consolidate each academy trust's accounts into a sector annual report and accounts (SARA). DfE will use audited accounts returns and other information to generate the SARA, which the [National Audit Office](#) (NAO) will audit.
- As each trust is a component of the SARA, the trust **must** prepare the financial information requested by DfE for this purpose.

- Academy trusts' auditors will be required by DfE to audit certain information, and this requirement should be incorporated within the terms of engagement.
- The NAO must reach an opinion on regularity for ESFA's own accounts, and for this will draw on the regularity opinions of trusts' auditors.

Review of regularity

Accounting officer's statement

An accounting officer's statement on regularity, propriety and compliance **must** be included in the academy trust's annual accounts. This is a declaration by the [accounting officer](#) that they have met their responsibilities to Parliament for the resources under their control during the year. It includes responsibility to ensure:

- efficient and effective use of resources ([value for money](#))
- public money is spent for the purposes intended by Parliament ([regularity](#))
- appropriate standards of conduct, behaviour and corporate governance are maintained ([propriety](#))

The format of the statement is in ESFA's Accounts Direction. The accounting officer also has responsibility to advise the governing body and ESFA of instances of irregularity or impropriety, or non-compliance with the funding agreement or 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 ESFA.

External audit oversight and findings – the audit and risk committee

The audit process can support trusts by identifying areas that may require improvement. The governing body, taking advice from the audit and risk committee, **must** ensure there is an appropriate, reasonable and timely response by the trust's management team to findings by external auditors, taking opportunities to strengthen systems of financial management and control.

Specifically the audit and risk committee must:

- review the external auditor's plan each year
- review the annual report and accounts
- review the auditor's findings and actions taken by the trust's managers in response to those findings
- assess the effectiveness and resources of the external auditor to provide a basis for decisions by the trust's members about the auditor's reappointment or dismissal or retendering. Considerations may include:
 - the auditor's sector expertise
 - their understanding of the trust and its activities
 - whether the audit process allows issues to be raised on a timely basis at the appropriate level
 - the quality of auditor comments and recommendations in relation to key areas
 - the personal authority, knowledge and integrity of the audit partners and their staff to interact effectively with, and robustly challenge, the trust's managers
 - the auditor's use of technology
 - produce an annual report of the committee's conclusions to advise the board of trustees and members, including recommendations on the reappointment or dismissal or retendering of the external auditor, and their remuneration.

Delegated authorities

Requirement to obtain ESFA approval

The academy trust has autonomy over financial transactions arising in the normal course of business. However, some transactions have delegated authority limits beyond which trusts **must** obtain prior [ESFA](#) approval. A schedule of delegated authorities is below. Trusts **must** ensure they are familiar with these requirements and ESFA may intervene where trusts do not seek the required ESFA approval in advance.

Disclosure

Irrespective of whether ESFA approval is required, the academy trust **must** disclose aggregate figures for transactions of any amount, and separate disclosure for individual transactions above £5,000, in its audited accounts for the following transactions:

- special payments – compensation
- special payments – ex gratia
- writing off debts and losses
- guarantees, letters of comfort and indemnities
- acquisition or disposal of freehold land and buildings
- disposal of heritage assets
- taking up or granting a leasehold on land and buildings
- gifts by the trust

The following transactions **must** be disclosed in total, and individually:

- special payments – staff severance, of any value

Other than what is required under financial reporting standards, the [Charities SORP](#) and the [Accounts Direction](#), disclosure can be anonymised.

Novel, contentious or repercussive transactions

Novel, contentious and/or repercussive transactions **must** always be referred to [ESFA](#) for prior approval. ESFA may refer such transactions to HM Treasury for approval, so trusts should allow sufficient time for proposals to be considered.

- Novel transactions are those of which the academy trust has no experience, or are outside its range of normal business.
- Contentious transactions are those that might cause criticism of the trust by Parliament, the public or the media.
- Repercussive transactions are those likely to cause pressure on other trusts to take a similar approach and hence have wider financial implications.

Special Payments

Certain transactions by public bodies may fall outside their usual planned range of activity, and may exceed statutory and contractual obligations. HM Treasury calls these special payments,

(see annex 4.13 of [Managing Public Money](#)), and are subject to greater control than other payments. They include:

- staff severance payments
- compensation payments
- ex gratia payments

Special staff severance payments

- Special staff severance payments are paid to employees outside statutory or contractual requirements when leaving public employment. They are different to ex gratia payments.
- If an academy trust is considering a staff severance payment above statutory or contractual entitlements, it **must** consider the following issues before making a binding commitment:
 - that the proposed payment is in the trust's interests
 - whether the payment is justified, based on legal assessment of the trust's chances of successfully defending the case at [employment tribunal](#). If there is a significant prospect of losing the case, a settlement may be justified, especially if the costs of a defence are likely to be high. Where a legal assessment suggests the trust is likely to be successful, a settlement should not be offered
 - if the settlement is justified, the trust would need to consider the level of settlement. This **must** be less than the legal assessment of what the relevant body (e.g. an employment tribunal) is likely to award
- Staff severance payments should not be made where they could be seen as a reward for failure, such as gross misconduct or poor performance. The only acceptable rationale in the case of gross misconduct would be where legal advice is that the claimant is likely to succeed in an employment tribunal because of employment law procedural errors. In the case of poor performance, an acceptable comparison would be the time and cost of taking someone through performance management and capability procedures.
- The academy trust has delegated authority to approve individual staff severance payments provided any non-statutory/non-contractual element is under £50,000 gross (i.e. before income tax or other deductions). Where the trust is considering a non-

statutory/non-contractual payment of £50,000 or more, (gross, before deductions), [ESFA's](#) prior approval **must** be obtained before making any binding offer to staff. ESFA will refer such transactions to HM Treasury, so trusts should allow sufficient time for proposals to be considered. Examples of approval requirements are as follows:

Statutory/contractual payment	Non-statutory/non-contractual payment	ESFA/HM Treasury approval required?
£30,000	+ £30,000	No
£60,000	+ £30,000	No
£30,000	+ £50,000	Yes – for £50,000

- Academy trusts should demonstrate [value for money](#) by applying the same scrutiny to a payment under £50,000 as those over £50,000, and have a justified business case. Settlements **must** not be accepted unless satisfying the conditions in this handbook and in ESFA's [guidance and submission template](#).

Use of confidentiality clauses

Academy trusts **must** ensure confidentiality clauses associated with staff severance payments do not prevent an individual's right to make disclosures in the public interest ([whistleblowing](#)) under the [Public Interest Disclosure Act 1998](#).

Compensation payments

- Compensation payments provide redress for loss or injury, for example personal injuries, traffic accidents or damage to property. If an academy trust is considering a compensation payment, it **must** base its decision on a careful appraisal, including legal advice where relevant, and ensure [value for money](#).
- Academy trusts have delegated authority to approve individual compensation payments provided any non-statutory/non-contractual element is under £50,000. Where the trust is considering a non-statutory/non-contractual payment of £50,000 or more [ESFA's](#) prior approval **must** be obtained. ESFA will refer such transactions to HM Treasury.

- Trusts should consider whether cases reveal concerns about the effectiveness of internal control systems, and take steps to correct failings.

Ex gratia payments

- Ex gratia payments are another type of transaction going beyond statutory or contractual cover, or administrative rules. Annex 4.13 of [Managing Public Money](#) provides examples, including payments to meet hardship caused by official failure or delay, and to avoid legal action due to official inadequacy.
- Ex gratia transactions **must** always be referred to [ESFA](#) for prior approval. HM Treasury approval may also be needed. If trusts are in doubt about a proposed transaction, they should seek [ESFA](#) advice.

Write-offs and entering into liabilities

The academy trust **must** obtain [ESFA's](#) prior approval for the following transactions beyond the delegated limits described below:

- writing-off debts and losses
- entering into guarantees, letters of comfort or indemnities

The delegated limits, subject to a maximum of £250,000, are:

- 1% of total annual income or £45,000 (whichever is smaller) per single transaction
- cumulatively, 2.5% of total annual income in any financial year per category of transaction for trusts that have not submitted timely, unqualified accounts for the previous two financial years. This category includes new trusts that have not had the opportunity to produce two years of audited accounts
- cumulatively, 5% of total annual income in any financial year per category of transaction for trusts that have submitted timely, unqualified accounts for the previous two financial years

In relation to these limits:

- the trust should always pursue recovery of amounts owed to it, including overpayments, or erroneous payments. In practice, however, there will be practical and legal limits to how cases should be handled
- the trust should only consider writing-off losses after careful appraisal, including whether all reasonable recovery action has been taken with the debtor, the trust's insurers, or the risk protection arrangement, and should be satisfied there is no feasible alternative
- the amounts for write-offs are before successful claims from an insurer or the risk protection arrangement
- total annual income is defined as grant income as disclosed in the trust's last audited accounts. [ESFA](#) should be contacted if the trust has not yet published their first audited accounts

Before accepting liabilities by issuing guarantees, a letter of comfort or indemnity, the trust should secure [value for money](#) by appraising the proposal through assessment of the costs and benefits of relevant options.

Acquisition and disposal of fixed assets

Academy trusts **must** obtain prior approval from [ESFA](#) for the following transactions:

- acquiring a freehold of land or buildings
- disposing of a freehold of land or buildings
- disposing of heritage assets, as defined in financial reporting standards, beyond any limits in the funding agreement for the disposal of assets generally

Other than land, buildings and heritage assets, trusts can dispose of other fixed assets without [ESFA's](#) approval subject to achieving the best price that can reasonably be obtained, and maintaining the principles of [regularity](#), [propriety](#) and [value for money](#).

Leasing

There are two types of lease:

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

Trusts **must** obtain [ESFA's](#) prior approval for the following leasing transactions:

- taking up a finance lease on any asset for any duration from another party, which are subject to the borrowing restrictions described in Borrowing below
- taking up a leasehold or tenancy agreement on land or buildings from another party for a term of seven or more years
- granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party.

Other than the above, trusts do not require ESFA's approval for operating leases.

Trusts **must** ensure any lease maintains the principles of [value](#) [for money](#), [regularity](#) and [propriety](#). Trusts should seek advice from their professional adviser and/or external auditor if they are in doubt over whether a lease involves borrowing.

Managing General Annual Grant (GAG)

Managing surplus GAG

ESFA previously set limits on [GAG](#) carried forward by trusts from year-to-year. These limits have now been removed for eligible trusts. ESFA will report to DfE any trusts where it has serious concerns about a long-term substantial surplus with no clear plans for its use.

Gifts

The academy trust should have a policy and register on the acceptance of gifts, hospitality, awards, prizes or other benefits that might compromise their judgment or integrity, and should ensure all staff are aware of it. When making gifts, the trust **must** ensure the value is reasonable, is within its scheme of delegation, the decision is documented, and achieves [propriety](#) and [regularity](#) in the use of public funds.

Borrowing

Academy trusts **must** obtain [ESFA's](#) prior approval for borrowing (including finance leases and overdraft facilities) from any source, where such borrowing is to be repaid from grant monies or secured on assets funded by grant monies, regardless of the interest rate chargeable. Credit cards **must** only be used for business expenditure, and balances cleared before interest accrues.

However, academy trusts will only be granted permission for borrowing in exceptional circumstances, such as schemes introduced by the Secretary of State to meet broader policy objectives - for example the Department's Condition Improvement Fund for capital projects, and the Salix scheme that supports energy saving.

Related party transactions

Goods or services provided by or to individuals or organisations related to the academy trust.

Principles applying to related party relationships

Academy trusts **must** be even-handed in their relationships with related parties by ensuring that:

- governors comply with their statutory duties as company directors to avoid conflicts of interest, not accept benefits from third parties, and declare interest in proposed transactions or arrangements
- all members, governors and senior employees complete the register of interests.
- no member, governor, employee or related individual or organisation uses their connection to the trust for personal gain, including payment under terms that are preferential to those that would be offered to an individual or organisation with no connection to the trust
- there are no payments to trustees by the trust unless permitted by the [articles](#), or by authority from the Charity Commission, and comply with any relevant agreement with the Secretary of State. Trusts will need to consider these obligations where payments are made to other business entities who employ the trustee, are owned by the trustee, or in which the trustee holds a controlling interest

- the Charity Commission's approval is obtained where the trust believes a significant advantage exists in paying a trustee for acting as a trustee
- payments provided to the persons referred to below satisfy the 'at cost' requirements.

The trust should be aware of the Charity Commission's guidance for governors [CC11: Trustee expenses and payments](#).

The Governing body **must** ensure requirements for managing related party transactions are applied across the trust. The chair of governors and the accounting officer **must** ensure their capacity to control and influence does not conflict with these requirements. They **must** 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](#).

Trusts **must** recognise that some relationships with related parties may attract greater public scrutiny, such as:

- transactions with individuals in a position of control and influence, including the chair of governors and 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 **must** keep sufficient records, and make sufficient disclosures in their annual accounts, to show that transactions with these parties, and all other related parties, have been conducted in accordance with the high standards of accountability and transparency required within the public sector.

Reporting and approval of related party transactions

Trusts **must** report all contracts and other agreements with related parties to ESFA in advance of the contract or agreement commencing, using ESFA's [related party on-line form](#). This requirement applies to all such contracts and agreements made on or after 1 April 2019.

Trusts **must** obtain ESFA's prior approval, using ESFA's related party on-line 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 arise:

- a contract or other agreement exceeding £20,000
- a contract or other agreement of any value that would mean the cumulative value of contracts and other agreements with the related party exceeds, or continues to exceed, £20,000 in the same financial year ending 31 August

For the purposes of reporting to, and approval by, ESFA contracts and agreements with related parties do not include salaries and other payments made by the trust to a person under a contract of employment through the trust's payroll.

Approval of novel, contentious and/or repercussive related party transactions

Novel, contentious and/or repercussive related party transactions are subject to separate arrangements. Trusts **must** obtain ESFA's prior approval for any contracts and other agreements with related parties that are [novel, contentious and/or repercussive](#), regardless of value. Approval **must** be sought using ESFA's [enquiry form](#), not through the related party on-line form. Trusts should carefully consider the impact of this requirement and its relevance to transactions involving the chair of governors and/or the accounting officer.

Register of interests

- The academy trust's register of interests **must** capture relevant business and pecuniary interests of members, governors and senior employees, including:
 - directorships, partnerships and employments with businesses
 - trusteeships and governorships at other educational institutions and charities
 - for each interest: the name and nature of the business, the nature of the interest and the date the interest began
- The register **must** identify relevant material interests from close family relationships between the academy trust's members, and governors. It **must** also identify relevant

material interests arising from close family relationships between those individuals and employees. 'Close family relationships' is defined below.

- Trusts should consider whether other interests should be registered, and if in doubt should do so. Governing bodies **must** keep their register of interests up-to-date at all times.
- Trusts **must** publish on their websites relevant business and pecuniary interests of members, governors and accounting officers. Trusts have discretion over the publication of interests of other individuals named on the register. The Charity Commission offers guidance in [Manage a conflict of interest in your charity](#) and [CC29: Conflicts of interest: a guide for charity trustees](#).

At cost requirements

A trust **must** pay no more than 'cost' for goods or services ('services' do not include contracts of employment) provided to it by the following persons ('persons' meaning both individuals and organisations):

- members or governors of the academy trust
- individuals or organisations related to a member or governors of the academy trust.

For these purposes the following persons are related to a member, or governor:

- a relative of the member or governor. 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, governor or a relative of the member or governor
- a company in which a member or the relative of a member (taken separately or together), and/or a governor or the relative of a governor (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 controlled by a member or the relative of a member (acting separately or together), and/or a governor or the relative of a governor (acting separately or together). For these purposes an organisation is controlled by an individual or organisation if that individual or organisation can 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 governor of the academy trust; or any body connected to such individual or organisation
- any individual or organisation recognised by the Secretary of State as a sponsor of the academy trust; or any body connected to such individual or organisation
- A body is connected 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 does not apply to the trust's employees unless they are also one of the parties described above.
- While these provisions do not apply to contracts of employment, the principles of [value for money](#) and using public money properly, including managing conflicts of interest, still apply. Salaries should be appropriate to the individual's skills and experience and to wider market rates.
- If staff of an individual or organisation above are based in, or work from the premises of, the academy trust, that individual/ organisation and the trust **must** agree an appropriate sum to be paid to the trust for use/occupation of the premises, save to the extent that they are carrying out work for the trust.

- The 'at cost' requirement applies to contracts with a related party agreed on or after 7 November 2013.
- The 'at cost' requirement applies to contracts with 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.
- In relation to organisations supplying legal advice or audit services to the academy trust, the 'at cost' requirement applies where the organisation's partner managing the service is a member or governor of the trust but not in other cases for those organisations. The published [ethical standards](#) for auditors prevent partners or employees of the audit firm from acting as a trustee of their client trust, but not of other trusts.
- In relation to dioceses, the contributions made by an academy trust to its diocese for services it receives associated with securing the academy trust's religious character and ethos, which only the diocese can provide, are regarded as meeting the 'at cost' requirement.
- Academy trusts **must** ensure 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 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, and **must not** include any profit. Full cost includes:
 - all direct costs (costs of materials and labour used directly in producing the goods or services)
 - indirect costs (a proportionate share of fixed and variable overheads)

The Regulator and intervention

ESFA Oversight

- ESFA is an executive agency of DfE. ESFA's accounting officer is accountable to Parliament for how ESFA uses its funds and personally responsible for the regularity, propriety and value for money of its expenditure. To do this, ESFA's accounting officer **must** be satisfied that academy trusts have appropriate arrangements for sound governance, financial management, [value for money](#) and accounting, and that trusts' use of public funds is consistent with the purposes voted by Parliament.
- ESFA's accounting officer will send a '[Dear Accounting Officer](#)' letter at least annually to academy trust accounting officers, covering issues such as developments in the accountability framework and ESFA findings. Accounting officers **must** share it with their members, governors, chief financial officer and senior leadership team, arrange for the governing body to discuss it and take action, if necessary, to strengthen financial controls.
- ESFA exercises the rights, powers and remedies in this policy on behalf of the Secretary of State. If ESFA fails to use, or delays in using, these this does not mean it cannot do so later.

Audit access rights

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

Retention of records

The trust **must** retain records to verify provision delivered by it, or its sub-contractors, in relation to this policy and its funding agreement, at least six years after the period to which funding relates.

Financial management and governance self-assessment

To gain assurance over financial arrangements at academy trusts, ESFA will conduct financial management reviews, examining whether systems and control comply with the handbook.

School resource management self-assessment tool

All trusts **must** complete the [School resource management self-assessment tool](#) and submit their completed checklist to ESFA by the specified annual deadline.

Funding audit

Funding audits allow ESFA to gain assurance on the pupil census and free school meals entitlement data provided by an academy trust to calculate its recurrent funding, and establish whether this data is accurate and supported by evidence. The scope and timing of funding audits are determined annually.

Fraud, theft and irregularity

- Academy trusts must be aware of the risk of fraud, theft and irregularity and address it by putting in place proportionate controls. Trusts must take appropriate action where fraud, theft or irregularity is suspected or identified.
- The board of trustees must notify [ESFA](#), as soon as possible, of any instances of fraud, theft and/or irregularity exceeding £5,000 individually, or £5,000 cumulatively in any financial year. Unusual or systematic fraud, regardless of value, must also be reported. The following information is required:
 - full details of the event(s) with dates
 - the financial value of the loss
 - measures taken to prevent recurrence
 - whether it was referred to the police (and if not why)
 - whether insurance or the RPA have offset any loss
- ESFA may conduct or commission investigations into actual or potential fraud, theft or irregularity in any academy trust, either because of a notification from the trust itself or from other information received. ESFA may involve other authorities, including the police.
- ESFA will publish [reports about its investigations](#) and about [financial management and governance reviews](#) at academy trusts.
- ESFA also publishes guidance on reducing fraud. Trusts should refer to this and to the findings from ESFA's investigation reports, as part of its risk management approach.

ESFA intervention powers

- Where ESFA has concerns about financial management and/or governance in an academy trust it may issue, and publish, a Financial Notice to Improve (FNtl), to be renamed from September 2021 simply Notice to Improve (Ntl). The trust **must** comply with the Ntl. Failure to comply will be deemed a [funding agreement](#) breach. The [funding agreement](#) may be terminated due to non-compliance with an Ntl.
- Where a trust is subject to an Ntl, it **must** publish the Ntl on its website within 14 days of it being issued, and retain it on the website until the Ntl is lifted by ESFA.
- An Ntl describes what a trust **must** do to address concerns about financial management or governance. For example, an Ntl may be issued due to an actual or projected deficit, cash flow problems, insolvency risk, irregular use of public funds, or inadequate governance and management (including weak oversight by trustees, poor internal scrutiny and breaches of related party requirements).
- If an Ntl is issued, the delegated authorities above are revoked, and all transactions of this nature **must** be approved in advance by [ESFA](#), specifically:
 - special staff severance payments
 - compensation payments
 - writing off debts and losses
 - entering into guarantees, indemnities or letters of comfort
 - disposals of fixed assets beyond any limit in the funding agreement
 - taking up a leasehold or tenancy agreement on land or buildings of a duration beyond any limit in the funding agreement
 - carry forward of unspent GAG from one year to the next beyond any limit in the funding agreement
 - pooling of GAG
- The trust may also be prevented from entering into transactions with related parties without approval. These delegated authorities shall be returned once the Ntl has been complied with, and improvement is sustainable.

- Where ESFA intervenes because of concerns about financial management and/or governance it may require the trust to submit additional information such as monthly income and expenditure accounts, cash flow statements and balance sheets.

Secretary of State directions

- Where the Secretary of State has concerns about an individual managing an academy trust, he may take action to address those concerns.
- Subject to the relevant provisions being present in the trust's funding agreement, the Secretary of State can require the trust to remove a member or trustee. This can include where the individual has been convicted, cautioned or engaged in relevant conduct and, as a result, the Secretary of State considers them unsuitable to take part in management of the academy trust.
- The Secretary of State can also make directions under section 128 of the [Education and Skills Act 2008](#) prohibiting individuals from taking part in academy trust management. This could prevent an individual from acting as a member, governor or executive leader of a trust. The circumstances are prescribed in [regulations](#) but can include where the individual is subject to a caution or conviction or has engaged in relevant conduct, and the Secretary of State considers that because of that caution, conviction or conduct that individual is unsuitable to take part in management of a school.

ESFA work with the Charity Commission

Where there is a concern, ESFA may refer trusts to the [Charity Commission](#), reflecting the Commission's interest in addressing non-compliance with legal or regulatory requirements or misconduct or mismanagement in the administration of any charity, and in ensuring individuals running the charity (in particular, but not limited to, the trustees) do so in compliance with their legal duties. The Commission may use its regulatory powers as described in its Memorandum of Understanding with DfE.

ESFA work with the Insolvency Service

ESFA may refer academy trustees, as directors, to the Insolvency Service who may consider whether the conduct of a director is such that they are unfit to be involved in management of a company and whether or not it would be in the public interest for a disqualification order to be sought.

ESFA approach to academy resource management

Where ESFA has concerns about financial management of a trust, it may prescribe working with an expert in school resource management, such as a School Resource Management Advisor (SRMA). Trusts should make reasonable endeavours to implement improvements identified by an SRMA. Failure to do so may result in an Ntl being issued. Working with an SRMA may also be prescribed as a condition of an Ntl.

National Audit Office and Public Accounts Committee

- The NAO has the right to access the accounts and relevant records of an academy trust for inspection, or for value for money studies. The trust **must** cooperate with NAO and their contractors and provide help, information and explanation as is reasonable and necessary.
- The NAO's findings are considered by the [Public Accounts Committee](#) (PAC). The PAC has power to call anyone, including past and current accounting officers of a trust, to account for proper use of public funds.

Delegation of Financial Powers

The Business Manager has the following key responsibilities:

- to prepare the monthly management accounts and the annual accounts;
- to prepare and monitor the annual and forecast budget;
- to prepare (with the Deputy headteacher) the school modeler(integrated curriculum & financial planning)
- to liaise with the Audit & Risk Committee, auditors and accountants as necessary.

On a daily basis the Business Manager will:

- have delegated responsibility to make virements within the authorised limits;
- oversee all orders placed and invoices received;
- oversee all income received by the academy in terms of grants, donations or third party payments, including instrumental music charges;
- oversee management of the petty cash account;
- ensure accuracy of payroll details on a monthly basis;

- ensure that the academy's accounting system is reconciled to the academy bank account on a monthly basis;
- produce a regular report for the Finance and Property Committee to indicate current financial position and forecasts;
- ensure monthly reports are produced for all delegated budget fund holders;
- manage the voluntary fund account including annual audit;
- review and develop this Finance Policy on an annual basis and recommend changes as necessary in line with DfE/ESFA policy;
- maintain an inventory for all academy responsibility items;
- seek approval for and report on the disposal or write-off of stock;
- advise the Headteacher in respect of the academy's insurance requirements;
- ensure that all financial records are retained as required under the Records Retention Policy.

Working with the Business Manager, the **Finance Officers** will:

- assume the day to day responsibility for placing orders, receiving goods and preparing invoices for payment;
- maintain an orderly system of recording all transactions;
- check and disperse goods received;
- undertake monthly bank reconciliation;
- undertake quarterly VAT returns;
- daily operation of the petty cash fund;
- daily operation of the academy's Voluntary Fund account;
- daily operation of other cash income.

Financial limits of delegated authority

Headteacher: £25,000 (Governing Body approval in excess of this)

Business Manager: £10,000

Budget holders are authorised to commit expenditure in line with their departmental plans and agreed budget allocations. Purchase orders must be completed and signed by the budget holder and the Business Manager before processing and entering on the academy financial

management system (FMS). Where urgency requires a verbal order to be made, this should be confirmed by an official order as soon as possible and can be for no more than £1,000.

Accounting Systems

The academy has chosen to use SIMS Financial Management System as an accounting system. The system is password protected with restricted access. The system is backed up daily as per the Disaster Recovery Plan.

Orders are prepared by the Finance Officer for signature by the Business Manager (in accordance with the authorised levels above).

Goods received will be noted by the Finance Officer and dispatched to the relevant department who report any discrepancies against their original order.

Invoices are checked against the original order by the Finance Officer and prepared for payment. Any anomaly not already reported by the originator of the order will be investigated prior to payment. Payments should only be made on a receipt of a VAT invoice. Payments made by **cheque** are signed by two authorised signatories.

Petty cash is used for the purchase of minor items (maximum £100 in cash reimbursement). VAT receipts should be obtained in order that the academy can reclaim funds. (£1,000 petty cash held on premises at any one time in a fire proof safe).

Gifts and Hospitality

Staff should refer to the academy's Gifts and Hospitality Policy.

Income received is recorded on FMS by the Finance Officer and receipts produced. Cash and cheques are paid into the relevant budget. Bank statements are reconciled upon receipt in academy (weekly).

Voluntary Fund

The academy fund is managed on a daily basis by the Finance Officer, using ParentPay software. Financial viability of any visit/event is approved in advance by the Leadership and

Management Team. Remission of charges for a visit/event can only be authorised if the student is on the free academy meals register or in exceptional circumstances by a member of the Leadership and Management Team.

Appendix 1 - FINANCIAL REGULATIONS MANUAL

1. Introduction
2. Organisation
3. Accounting System
4. Financial Planning
5. Payroll
6. Purchasing
7. Income
8. Cash Management
9. Fixed Assets

1. Introduction

The purpose of this manual is to ensure that the academy maintains and develops systems of financial control which conform to 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 and Skills (DfES).

The academy must comply with the principles of financial control outlined in the academies guidance published by the DfE. This manual expands on that and provides detailed information on the academy's accounting procedures and the system manual should be read by all staff involved with financial systems.

2. Organisation

The academy has defined the responsibilities of each person involved in the administration of academy finances to avoid the duplication or omission of functions and to provide a framework of accountability for governors and staff. The financial reporting structure is illustrated below:

The Governing Body

The Governing Body has overall responsibility for the administration of the academy's finances. The main responsibilities of the Governing Body are prescribed in the Funding Agreement between the academy and the DfE and in the academy's scheme of government.

The main responsibilities include:

- ensuring that grants from the DfE are used only for the purposes intended;
- ensuring that funds from sponsors are received according to the academy's Funding Agreement, and are used only for the purposes intended;
- approval of the annual budget;
- appointment of the Headteacher; and
- appointment of the Business Manager, in conjunction with the Headteacher.

The Finance and Property Committee

The Finance and Property Committee is a committee of the Governing Body. This Committee meets at least once a term but more frequent meetings can be arranged if necessary.

The main responsibilities of the Finance and Property Committee are detailed in written terms of reference which have been authorised by the Governing Body. The main responsibilities include:

- the initial review and authorisation of the annual budget;
- the regular monitoring of actual expenditure and income against budget;
- ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 2006 and the DfE guidance issued to academies;
- authorising the award of contracts over £25,000;
- authorising changes to the academy personnel establishment, and
- acting as Audit Committee including reviewing the reports of the Responsible Officer on the effectiveness of the financial procedures and controls. These reports must also be reported to the full Governing Body.

The Headteacher

Within the framework of the academy development plan as approved by the Governing Body, the Headteacher has overall executive responsibility for the academy's activities including financial activities. Much of the financial responsibility has been delegated to the Business Manager but the Headteacher still retains responsibility for:

- approving new staff appointments within the authorised establishment. However, it is academy policy that a governor will be involved in each interview for new staff wherever possible;
- authorising contracts between £1,000 and £25,000 in conjunction with the Business Manager;
- signing cheques in conjunction with the Business Manager or other authorised signatory. (*Academies Financial Handbook 2020*).

The Business Manager

The Business Manager works in close collaboration with the Headteacher through whom she is responsible to the governors. The Business Manager also has direct access to the governors via the Finance and Property Committee. The main responsibilities of the Business Manager are:

- the day to day management of financial issues including the establishment and operation of a suitable accounting system;
- the management of the academy's financial position at a strategic and operational level within the framework for financial control determined by the Governing Body;
- the maintenance of effective systems of internal control;
- ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of the academy;
- the preparation of monthly management accounts;
- signing cheques in conjunction with the Headteacher or other authorised signatory and
- ensuring forms and returns are sent to the DfE in line with the timetable in the DfE guidance.

The Internal auditor (in-house Responsible Officer or bought in internal audit service)

The Internal Auditor(IA) is appointed by the Governing Body and provides governors with an independent oversight of the academy's financial affairs. The main duties of the IA are to provide the Governing Body with independent assurance that:

- the financial responsibilities of the Governing Body are being properly discharged;
- resources are being managed in an efficient, economical and effective manner;
- sound systems of internal financial control are being maintained and
- financial considerations are fully taken into account in reaching decisions.

The Internal Auditor will undertake a termly programme of reviews to ensure that financial transactions have been properly processed and that controls are operating as laid down by the Governing Body. A report of the findings from each visit and annually at year end will be presented to the Finance and Property Committee. Detailed guidance on the transactions to be checked by the IA is found in the ESFA's [internal scrutiny good practice guide](#), which:

- describes both financial and non-financial areas that internal scrutiny could cover, and
- provides a suggested structure for an internal scrutiny annual report.

Other Staff

Other members of staff, primarily the Finance Officers 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 academy property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the academy's financial procedures.

3. 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 academy governors and staff with significant financial or spending powers are required to declare any financial interests they have in companies or individuals from which the academy may purchase goods or services. The register should include all business interests such as directorships, share holdings or other appointments of influence within a business or organisation which may have dealings with the academy. 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 governors and staff to declare interests whenever they are relevant to matters being discussed by the Governing Body or a committee. Where an interest has been declared, governors and staff should not attend that part of any committee or other meeting.

Trusts must publish on their websites relevant business and pecuniary interests of trustees and accounting officers. Trusts have discretion over the publication of the interests of any other individual named on the register.

4. Accounting system

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

- Journals
- Nominal Ledger Bank
- Transactions
- Purchases Ledger
- Sales Ledger
- Payroll System
- Automatic update
- Manual update

System Access

Entry to the FMS system is password restricted. Access to the component parts of the FMS system can also be restricted and the Business Manager is responsible for setting access levels for all members of staff using the system.

Back-up Procedures

The Business Manager is responsible for ensuring that there are effective back-up procedures for the system. Data should be copied onto removable medium and the copies stored in a secure place (fireproof safe). At least one copy should be stored off-site.

The Business Manager 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 governors of the major risks to which the academy 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.

All journal entries must be documented on the appropriate journal form, recorded in the journal book and authorised by the Business Manager prior to being input to the accounting system.

Bank transactions should be input by the Business Manager and the input should be checked, and signed to evidence.

Transaction Reports

The Business Manager 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:

- masterfile amendment reports for the payroll, purchase ledger and sales ledger;
- management accounts summarising expenditure and income against budget at budget holder level.

Reconciliations

The Business Manager 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;
- all suspense accounts, and
- bank balance per the nominal ledger to the bank statement.

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

Development Plan

The development plan is concerned with the future aims and objectives of the academy and how they are to be achieved; that includes matching the academy'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 academy to decide but due regard should be given to the matters included within the guidance to academies and any annual guidance issued by the DfE.

Each year the Headteacher will propose a planning cycle and timetable to the Governing Body 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?"
- 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.

The Leadership and Management Team will report to the Governing Body if there is a significant divergence from the agreed plan and will recommend an appropriate course of action.

Annual Budget

The Business Manager is responsible for preparing and obtaining approval for the annual budget.

The budget must be approved by the Headteacher, Finance and Property Committee and the Governing Body.

The approved budget must be submitted to the DfE by 30th June each year and the Business Manager is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.

The annual budget will reflect the best estimate of the resources available to the academy for the forthcoming year and will detail how those resources are to be utilised. There should be a clear link between the development plan objectives and the budgeted utilisation of resources.

The budgetary planning process will incorporate the following elements:

- forecasts of the likely number of pupils to estimate the amount of DfE grant receivable;
- review of other income sources available to the academy to assess likely level of receipts;
- review of past performance against budgets to promote an understanding of the academy cost base;
- identification of potential efficiency savings, and
- review of the main expenditure headings in light of the development plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes.

Balancing the Budget

Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where cuts can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and expenditure are in balance. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need.

Finalising the Budget

Once the different options and scenarios have been considered, a draft budget should be prepared by the Business Manager for approval by the Headteacher, the Finance and Property Committee and the Governing Body. The budget should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.

Monitoring and Review

Monthly management accounts will be prepared by the Business Manager. The accounts include an income and expenditure account, variation to budget report, cash flows and balance sheet at a summary level for the Headteacher and the Finance and Property Committee.

Any potential overspend against the budget must in the first instance be discussed with the Business Manager. The accounting system will not allow payments to be made against an overspent budget without the approval of the Business Manager.

The monitoring process should be effective and timely in highlighting variances in the budget so that differences can be investigated and action taken where appropriate. If a budget overspend is forecast, it may be appropriate to vire money from another budget or from the contingency.

6. Payroll

The main elements of the payroll system are:

- staff appointments;
- payroll administration and payments.

Staff Appointments

The governing body has approved an establishment staffing structure as set out in the academy's Pay Policy Changes can only be made to this establishment by the Governing Body following a recommendation from the Personnel & Student Wellbeing Committee in consultation with the Finance and Property Committee (who must ensure that adequate budgetary provision exists for any establishment changes). If necessary, this can be delegated to the Chairs of those Committees and the Chair of the Governing Body.

The Headteacher has authority to appoint staff within the authorised establishment except for Deputy Headteacher, Business Manager and Assistant Headteachers, whose appointments must follow consultation with the governors. The Business Manager maintains personnel files for all members of staff which include contracts of employment. All personnel changes must be notified, in writing, to the Business Manager immediately.

Payroll Administration

The academy's payroll is administered by Strictly Education. Access to the system is password controlled. Password control procedures and backup arrangements are described in section two of this manual.

All staff are paid monthly through the Strictly Education payroll package and administered on-line. A master file is created for each employee which records:

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

The Cover Manager must complete a monthly staff return which provides details for all staff sickness and other absences during the month.

Payments

After the payroll has been processed but before payments are dispatched a report of salary payments by individual and showing the amount payable in total should be obtained from the system. The report must be reviewed and authorised together with authority to release payment by the Business Manager.

All salary payments are made by BACS.

The payroll system automatically calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions. The amounts payable are summarised on the gross to net pay report. The Business Manager should select at least 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. 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 and to identify any amounts posted to the suspense account.

6. Purchasing

The academy wants to achieve the best value for money from all our purchases. This means they want to get what they need in the correct quality, quantity and time at the best price possible. A large proportion of their purchases will be paid for with public funds and they need to maintain the integrity of these funds by following the general principles of:

- **Probity**, it must be demonstrable that there is no corruption or private gain involved in the contractual relationships of the academy;
- **Accountability**, the academy is publicly accountable for its expenditure and the conduct of its affairs;
- **Fairness**, that all those dealt with by the academy are dealt with on a fair and equitable basis.

Routine Purchasing

Budget holders will be informed of the budget available to them at least one month before the start of the academic year. It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent. A print detailing actual expenditure against budget will be supplied to each budget holder a week after the end of each month and budget holders are encouraged to keep their own records of orders placed but not paid for.

A supplier should be chosen from the list of approved suppliers maintained by the Finance Office. A quote or price must always be obtained before any order is placed. If the budget holder

considers that better value for money can be obtained by ordering from a supplier not on the approved supplier list, the reasons for this decision must be discussed and agreed with the Business Manager.

All orders must be made, or confirmed, in writing using an official order form, stocks of which are held in the Finance Office. Orders must bear the signature of the budget holder and must be forwarded to the Finance Office where the Business Manager will check to ensure adequate budgetary provision exists before countersigning the order.

Countersigned orders are recorded in the orders placed book, allocated a reference number and dispatched to the supplier.

Appropriate arrangements for the delivery of goods to the academy should be made. On receipt the Finance Officer must undertake a detailed check of the goods received against the goods received note (GRN) and make a record of any discrepancies between the goods delivered and the GRN. Discrepancies should be discussed with the supplier of the goods without delay.

If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Finance Office should record the details accordingly. All invoices should be sent to the Finance Office. Invoice receipt will be recorded by the Finance Officer in the order book and also in the purchase ledger. Control slips will be used on all invoices on which the following can be evidenced:

- invoice arithmetically correct;
- invoice posted to purchase ledger;
- goods/services received;
- goods/services as ordered;
- prices correct;
- invoice authorised for payment;
- payment authorised;
- VAT treated correctly and payment made.

The Finance Officer will input details of payments to be made to the purchase ledger and generate the BACS payments or cheques required. The BACS runs and cheques and associated paperwork must be authorised by two of the nominated cheque signatories.

Cheques will be dispatched to suppliers by the Finance Officer who will also complete boxes on the control slip.

Orders over £1,000 but less than £25,000

At least three quotations should be obtained for all orders between £1,000 and £25,000 to identify the best source of the goods/services. Written details of quotations obtained should be prepared and retained by the Business Manager and/or Finance Officer for audit purposes. Telephone quotes are acceptable if these are evidenced and faxed confirmation of quotes has been received before a purchase decision is made.

Orders over £25,000

All goods/services ordered with a value over £25,000, or for a series of contracts which in total exceeding £25,000 must be subject to competitive tendering procedures in all but exceptional circumstances by governor approval (e.g. Emergency Situations)

7. Income

The main sources of income for the academy are the grants from the DfE. The receipt of these sums is monitored directly by the Business Manager who is responsible for ensuring that all grants due to the academy are collected.

The academy also obtains income from:

- Parents/carers/guardians/students, mainly for visits and school meals;
- the public, mainly for sports lettings;
- local small business/organisations mainly for print services.

Visits

A lead teacher must be appointed for each visit to take responsibility for the collection of sums due. The lead teacher with the Finance Officer must prepare a record for each student intending

to go on the visit showing the amount due. A copy of the record must be maintained by the Finance Officer.

Payments for visits are payable via ParentPay. The Finance Officer 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 who is responsible for chasing the outstanding amounts.

Sports Lettings

The Finance Officer, in conjunction with the Site Manager, is responsible for maintaining records of bookings of sports facilities and for identifying the sums due from each organisation. Payments must be made in advance for the use of facilities.

Details of organisations using the sports facilities should be sent by the Site Manager to the Finance Officer who will establish a sales ledger account and produce a sales invoice from the accounting system. Details of payments and monies owing including the chasing of outstanding debts and ensuring no use is made of the facilities unless payment has been made is part of this responsibility.

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

Organisations using the sports facilities should be instructed to send all payments to the Finance Office.

8. Cash Management

Bank Accounts

The opening of all accounts must be authorised by the Governing Body who must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. The operation of systems such as Bankers Automatic Clearing System (BACS) and other means of electronic transfer of funds 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 majority of payments are made through Barclays Bank PLC directly using their on-line banking system via a five days BACS. All cheques and other instruments authorising withdrawal from academy bank accounts must bear the signatures of two of the following authorised signatories:

- Headteacher
- Business Manager
- Systems Manager
- Cover Manager
- Exams Officer

This provision applies to all accounts, public or private, operated by or on behalf of the Governing Body of the academy. Authorised signatories must not sign a cheque relating to goods or services for which they have also authorised the expenditure.

Administration

The Business Manager must ensure bank statements are received regularly and that reconciliations are performed at least on a monthly basis. Reconciliation procedures must ensure that:

- all bank accounts are reconciled to the academy's cash book;
- reconciliations are prepared by the Business Manager;
- reconciliations are subject to an independent monthly review carried out by the Business Manager or in her absence the Responsible Officer (RO) and adjustments arising are dealt with promptly.

Petty Cash Accounts

The academy maintains a maximum cash balance of £1,000. The cash is administered by the Finance Officer and is kept in the Finance Office safe.

Deposits

The only deposits to petty cash should be from cheques cashed specifically for the purpose.

The receipt should be recorded in the petty cash system with the date, amount and a reference, normally the cheque number, relating to the payment. All other cash receipts for whatever reason should be paid directly into the bank.

Payments and Withdrawals

In the interests of security, petty cash payments will be limited to £100. Higher value payments should be made by cheque directly from the main bank account as a cash book payment.

Administration

The Finance Officer is responsible for entering all transactions into the petty cash records on a regular basis and regular as well as unannounced cash counts should be undertaken by the Business Manager to ensure that the cash balance reconciles to supporting documentation.

Physical Security

Petty cash should be held in a locking cash box which is put in the safe overnight.

Cash Flow Forecasts

The Business Manager is responsible for preparing cash flow forecasts to ensure that the academy has sufficient funds available to pay for day to day operations. If significant balances can be foreseen, steps should be taken to invest the extra funds.

Investments

Investments must be made only in accordance with written procedures set out in the Investment Policy approved by the governing body. All investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment.

Additional procedures may be required to ensure any income receivable from the investment is received.

9. Fixed Assets

Asset register

All items purchased with a value over the academy's capitalisation limit must be entered in an asset register. The trust will use the Every Asset management system for IT Assets. 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 DfES grant and % funded from other sources)
- expected useful economic life
- depreciation
- current book value
- location

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;
- manage the effective utilisation of assets and to plan for their replacement;
- the external auditors to draw conclusions on the annual accounts and the academy's 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 academy 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 Governing Body. 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 Business Manager and, where significant, should be sold following competitive tender. The academy must seek the approval of the DfES in writing if it proposes to dispose of a heritage asset.

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 DfES a proportion of the sale proceeds.

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

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 in 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 academy's auditors.

Appendix 2 - Waddesdon Church of England School Scheme of Delegation

HT: Headteacher

BM: Business Manager

FO1: Finance Officer 1

FO2: Finance Officer 2

IA: Responsible Officer

RM: Restaurant Manager

* In the event of a long-term absence of the Business Manager

	HT	BM	FO1	FO2	IA	RM
PURCHASING						
Inputs order on FMS			✓	✓		
Authorises order on FMS		✓	✓			
Authorising signature on paper copy of order		✓	✓			
Signs invoice/ delivery note to confirm receipt of goods			✓	✓		
Inputs invoice on FMS			✓	✓		
Authorises invoice on FMS				✓		
Authorise payment runs on Barclays portal	*	✓				
Authorising signature on lease agreements	✓	✓				
PETTY CASH						
Signs petty cash vouchers when payments made		✓	✓	✓		
Reconciles account each month and completes reimbursement claim		✓	*	✓		
Authorises reimbursement claim		✓	*	✓		
PAYROLL						
Inputs new starters onto SIMS		✓		*		

	HT	BM	FO1	FO2	IA	RM
Authorising signature on teaching staff salary notification forms	*	✓				
Authorising signature on non teaching staff variation to contract/ new starter forms	*	✓				
Checks monthly payroll print against staff details		✓		*		
Carries out independent check of payroll print and signs and dates					✓	
Authorising signature on overtime claim forms	✓					
INVENTORY						
Ensures inventory is up to date with new items				✓		
Amends inventory with any changes from stock check		✓		*		
Signs off disposals	✓	✓				
LETTINGS						
Obtains signed hire agreement and insurance documents				✓		
Maintains lettings diary and raises invoices				✓		
INCOME COLLECTION						
Collects income initially			✓			
Counts income and records			✓	✓		
Inputs income in FMS			✓			
Checks income for banking and completes paying in slip			✓	✓		
Prepares cash for Barclays Collect			✓	✓		

	HT	BM	FO1	FO2	IA	RM
Carries out termly independent check of income received to bank statement					✓	
Inputs income on FMS		✓	*	✓		
REPORTING Carry out necessary reports to the DfE within timetable of reporting		✓	*			
FREE SCHOOL MEALS						
Obtains evidence of entitlement for children receiving FSMs				✓		
CATERING						
Reconciles reports from cashless catering system						✓
Maintains stock inventory and records new stock when delivered						✓
Periodically carries out independent stock check and signs and dates						✓
Amends inventory with any changes from stock check						✓
Signs off disposals	*	✓				

Appendix 3.

