



Finance Policy

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Introduction

The purpose of this policy is to ensure that the academy trust (the trust) maintains and develops systems of financial control which comply with the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of our funding agreement with the Education Secretary.

The trust must comply with the principles of financial control outlined in the guidance published by the Education and Skills Funding Agency (ESFA) in the Academy Trust Handbook
<https://www.gov.uk/guidance/academy-trust-handbook>

The CEO is the accounting officer for Rainham Mark Education Trust.

This policy provides detailed information on the trust's accounting procedures. The manual should be read by all staff involved with financial systems.

Financial Scheme of Delegation – Authorisation and Monetary Limits

These limits are taken from the main body of the Finance Policy and the limits match those within the body of this document, refer to main document for further detail.

Authorisation Limits

Expenditure Limits

Site Manager (emergency minor building repairs)	Up to £1,000
School Business Managers	Up to £10,000
Headteachers	Up to £10,000
Chief Financial Officer	Up to £20,000
CEO	Up to £50,000
Finance, Audit & Risk	Over £50,000 if within budget
Chair of Trustees	* Over £50,000 if not in budget

The Chair of Trustees has authority to approve all such expenditure on behalf of the Trustees where this has previously been approved in principle as a part of the original budget plan. All other expenditure over £50,000 must be approved by the full Trust Board, except in an emergency situation. In which case both the Chair of Trustees and the Chair of Finance, Audit & Risk must approve.

Cheque Signatories

Two Signatories	up to 50,000 previously unlimited
CEO (plus one other)	Over £50,000

Bacs Run Authorisations

Online authorisations as per bank mandated process, printed copies to be signed as

Two Signatories	up to £50,000 previously unlimited
CEO (plus one other)	over £50,000 previously unlimited

Signatories

Cheque and Bank signatories are listed below

CEO

Headteacher/Executive Headteacher

Heads of school

Deputy Headteachers

Assistant Headteachers

CFO

Virement Limits

CEO	up to £10,000
Finance, Audit & Risk Committee	£10,001- £30,000
Trust board	Over £30,000

Writing off Bad Debts

CFO	up to £100
CEO	£100 - £5,000
Finance, Audit & Risk Committee annual income (whichever is smaller)	£5,001- £45,000 or 1% of total
Full Trust Board and approval from ESFA income amount in annual funding letter or as per delegated limits specified in section 5.20 of ATH 2021	Over £45,000 or 1% of total annual

Disposal of Surplus Stock, Stores & Assets

Based on the original asset value and representation to the Finance, Audit and Risk committee on achieving value for money on the disposal above £1000

CEO	Up to £1,000
Finance Audit & Risk Committee	From £1,000- £5,000
Full Trust Board	over £5,000
Plus prior approval of ESFA assets as per section 5.22 of the ATH 2021	Freehold land & Buildings/heritage

Other Monetary Limits

Mileage Allowance HM Revenue & Customs approved
rate. To be authorised as per expenses policy.

Petty Cash Imprest £100

Ordering Procedures

Budget Holders	Up to £1,000
2 written quotations (non-emergency)	£1,001 - £5,000
3 Competitive written quotations	£5,001- £50,000
Tendering Procedure	Over £50,000

OJEU (Official Journal of the European Union) Tendering Procedure

- Supplies & Service contracts £189,330
- Works Contracts £4,733,252

Asset Register

Capitalisation Limit £10,000

Attractive portable Items Over £1000

Credit Card

Credit card limits are as follows, all expenditure on the credit cards must be in accordance with the authorisation limits and procedures as above.

RMGS £6,000

RMGS food technology £250

Twydall Primary £2,000

Riverside Primary £3,000

Transactions with related parties

- The board of trustees does not enter into any transactions with related parties..

Register of interests policy

The trust board and members of staff who can influence buying decisions recognise their responsibility to avoid any conflict between their business and personal interests and those of the trust.

The trust therefore maintains a register of the interests of each member, trustee, member of a local governing board and member of staff with significant financial responsibilities, their relatives and other individuals who may exert influence. The register includes:

- Interests such as directorships, shareholdings or other appointments of influence within a business or organisation from which the trust may wish to buy goods or services.
- Interests in the appointment, salary, promotion or conditions of service of members of staff.
- The trust considers whether other interests should be registered, and, if in doubt, does so.

The information in the register is taken into account whenever buying or staffing decisions are made. Any member, trustee, member of a local academy committee or member of staff who has an interest in a business tendering for a contract does not form part of the committee awarding the contract. Any member, trustee, member of a local academy committee and member of staff who has an interest in the appointment, salary, promotion or conditions of service of a member of staff does not form part of the committee recommending or deciding these.

Certain interests such as directorships, partnerships, employments, trusteeships and governorships are declared irrespective of whether or not there is a trading relationship with the trust.

Members, trustees, members of local academy committees and members of staff are required to inform the trust of any changes in their interests as these arise so that they can be entered in the register. The register is also updated annually. Nil returns are obtained as appropriate. Any member, trustee, member of a local governing board or member of staff who is unwilling to declare their interests or complete a nil return is not permitted to influence a buying or staffing decision.

The minutes of the full trust board, Finance, Audit & Risk committee, or any other committee that can influence a buying decision, record a standard agenda point seeking updates to their interests.

The only exception to the requirement to disclose an interest is that if the interest is so distant or small that no ordinary right-thinking person would expect it to influence a person who might have dealings with the firm concerned. In such cases, it need not be disclosed. An example is a modest shareholding in a large public company, even if the trust has or may have dealings with the company.

The register of interests is kept up-to-date at all times and it is freely available for inspection by trustees, staff and parents.

Receipt of gifts, hospitality, entertainment and other services

The trust does not accept any gifts, awards, prizes or any other benefit which might be seen to compromise its personal judgment or integrity. All members, trustees, members of local governing boards and members of staff have been made aware of this.

Members, trustees, members of local academy committee's and members of staff do not accept excessive, frequent or regular gifts, hospitality, entertainment or other services from existing or prospective suppliers or any person wishing to use the trust's services or facilities. When considering whether to accept such offers, they consider whether they could affect their independence or cause concern to others that they might affect their independence.

The trust maintains a register of gifts and favours offered and whether these were accepted or rejected. Members, trustees, members of local academy committees and members of staff are required to inform the trust of such offers as they arise.

In the event that there is uncertainty over whether or not the acceptance of a gift or hospitality is appropriate, the matter is discussed with the Chief Financial Officer or principal.

The gifts received register is held by: Assistant Business Manager/Business Manager Primary

Expenditure on gifts, hospitality, entertainment and favours

Expenditure on hospitality from public funds is only incurred in the provision of education. Hospitality is generally only provided in the workplace and usually restricted to tea/coffee, biscuits, soft drinks or sandwiches. Modest hospitality is occasionally provided outside the workplace. The Assistant Business Manger maintains a register of the occasions when hospitality is provided, the number of people involved and the costs incurred.

Alcohol will not be purchased under any circumstances

Private use

The trust does not obtain goods or services for the private use of trustees and members of staff. Members, trustees, members of local governing boards and members of staff may not:

- Hold any interest in any equipment or property held or used for the trust.
- Acquire any interest in the disposal of trust equipment or property at the end of any contract between the trust and any third party.

Whistleblowing policy

The trust's whistleblowing policy is published on its website.

The staff and trustees seek to run all aspects of academy business and activity with full regard for high standards of conduct and integrity. If members of trust staff, parents, trustees or the school community at large become aware of activities which give cause for concern, we have this statutorily required whistleblowing policy. This acts as a framework to allow concerns to be raised confidentially and provides for a thorough and appropriate investigation of the matter to bring it to a satisfactory conclusion, under the trust's disciplinary procedure and protects staff who report individuals they believe are doing something wrong or illegal.

We are committed to tackling fraud and other forms of malpractice and treat these issues seriously. We recognise that some concerns may be extremely sensitive. We have therefore developed a system which allows for the confidential raising of concerns within the school environment but which also has recourse to an external party outside the management structure of the school. We ensure that all concerns raised by whistleblowers are responded to properly and fairly.

All staff are made aware of the whistleblowing process and how it will be managed

Fraud reporting

The trust notifies the ESFA, as soon as is operationally practical based on its particular circumstances, of any instances of fraud or theft exceeding £5,000 individually, or £5,000 cumulatively in any trust financial year. Any unusual or systematic fraud, regardless of value, is also reported. The following information is provided:

- Full details of the event(s) with dates.
- The financial value of the loss.
- Measures taken by the trust to prevent recurrence.
- Whether the matter was referred to the police (and why if not).
- Whether insurance cover or the risk protection arrangements have offset any loss.

The trust must be aware of the risk of cybercrime and put in place proportionate controls and take appropriate action where a cyber crime has taken place. The trust must obtain the permission of the ESFA to pay any cybercrime ransom demands – this action is discouraged by the National Crime Agency.

Taxation

The Chief Financial Officer is responsible for advising on and ensuring compliance with VAT, PAYE and national insurance, and corporation tax, where this applies.

The trust abides by the procedures issued by HMRC (Her Majesty's Revenue & Customs) in connection with VAT. VAT returns are prepared by the finance manager and submitted by the Chief Financial Officer.

The trust keeps potential 'trading' activities under review and considers whether to set up a subsidiary trading company.

Payroll arrangements for senior members of staff comply with the HMRC guidance on tax obligations. Senior managers with significant financial responsibilities are exclusively on the trust's payroll, and therefore subject to PAYE and NIC contributions deducted at source.

Setting executive pay

The board of trustees ensures that its decisions about levels of executive pay (including salary and any other benefits) follows a robust evidence-based process and are a reasonable and defensible reflection of the individual's role and responsibilities. No individual is involved in deciding their remuneration. A basic presumption is that executive pay and benefits do not increase at a faster rate than that of teachers, in individual years and over the longer term. Inappropriate pay and benefits can be challenged by the ESFA, particularly in instances of poor financial management of a 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 trustees, 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 does not enter into off payroll arrangements if the payment exceeds £100k

Annual accounting

The trust's financial year runs from 1 September to 31 August and is consistent with the academic year.

Annual financial statements are prepared in accordance with the statement of recommended practice (SORP), the requirements of the Companies Act and with the provisions of the academies accounts direction produced by the ESFA.

The trust's accounting policies have been approved by the trust board.

The trust's audited accounts are provided to the members.

Audit

External audit

The trust has appointed, following a competitive tender, statutory auditors, who are registered under the requirements of the Companies Act, to carry out an audit and certify that the accounts are 'true and fair'. The auditors are engaged to carry out a 'true and fair' audit and a regularity audit. The engagement letter complies with the requirements of the ESFA for regularity auditing. Additional services are not supplied but, should they be, these will be subject to a separate letter of engagement.

The letter of engagement:

- Provides for the removal of the auditors before the expiry of their term of office in exceptional circumstances. Proposals to remove the auditors require a majority vote of the members of the trust board.
- Requires the auditors to state their reasons if they resign from office, within 14 days of resignation.

The board must notify the ESFA immediately of the removal or resignation of the auditors:

- In the case of removal, the trust board must notify the ESFA of the reasons for the removal.
- In the case of resignation, the auditors must immediately copy to the ESFA a statement of their reasons.

An accounting officer's statement on governance, regularity, propriety and compliance is included in the trust's annual report. A review of this statement is included within the external auditors' remit and their opinion on this is addressed jointly to the trust and the ESFA.

The accounting officer also has a responsibility to advise the trust board and the ESFA of any instances of irregularity or impropriety, or non-compliance with the terms of the trust's funding agreement.

The appointment of external auditors is carried out annually and the renewal of engagement is at the discretion of the trust board. Formal reassessment is to be carried out every five years through a process of competitive tendering.

The trust's auditors are authorised to access all financial records, supporting documents and resources.

The report from the annual external audit, and the associated action plan, is received by the Finance, Audit & Risk committee and reported to the trust board. The board ensures that there is an appropriate, reasonable and timely response to any audit findings, taking the opportunity to strengthen the trust's systems of financial management and control.

Annual review

The Finance, Audit & Risk committee, acting in its capacity as the trust's 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.

Internal scrutiny

The trust's programme of internal scrutiny provides independent assurance to the board that its financial and other controls and risk management procedures are operating effectively.

Purpose of internal scrutiny

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.

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.

Annual summary report

The trust must submit its annual summary report of the areas reviewed, key findings, recommendations and conclusions (as presented to the Finance, Audit & Risk committee, acting in its capacity as the trust's audit and risk committee by the person(s) or organisation(s) carrying out the

programme of work) to the 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 it should reflect their findings, recommendations and conclusions as part of the summary document submitted to the ESFA. The trust must also provide the ESFA with any other internal scrutiny reports if requested.

Delivery of internal scrutiny

Internal scrutiny is delivered by using a bought-in internal audit service. It is covered by a scheme of work, driven and agreed by the Finance, Audit & Risk committee and informed by risk. The trust identifies on a risk basis the areas it will review each year, modifying its checks accordingly. This involves greater scrutiny where procedures or systems have changed. The programme of work is carried on throughout the year and includes regular updates to the Finance, Audit & Risk committee, acting in its capacity as the trust's audit and risk committee. The Finance, Audit & Risk committee, acting in its capacity as the trust's audit and risk committee reports to the trust board on the adequacy of the trust's financial and other controls and management of risk.

Internal scrutiny focuses on:

- Evaluating the suitability of and level of compliance with financial and other controls.
- Offering advice and insight to the board on how to address weaknesses in financial and other controls.
- Ensuring all categories of risk are being adequately identified, reported and managed.

The trust is required to implement robust systems of internal control and a system of checking financial controls.

The control framework includes:

- Ensuring delegated financial authorities are complied with.
- Maintaining appropriate segregation of duties.
- Co-ordinating the planning and budgeting process.
- Applying discipline in financial management, including managing debtors, creditors, cash flow and monthly bank reconciliations.
- Planning and oversight of any capital projects.
- Management and oversight of assets.
- Regularity and propriety and value for money in the organisation's activities.
- Reducing the risk of fraud and theft.
- Independent checking of financial controls, systems, transactions and risks. The trust has appointed an independent company to carry out these checks.

The programme of checks carried out is agreed with the trust board annually. After each checking session, the independent checker provides the trust board with a written report explaining any material control issues and remedial action required.

Scheme of delegation

The trust board has approved a written scheme of delegation and this is reviewed on an annual basis. It is reviewed annually and immediately when there has been a change in the trust's management or organisational structure. The scheme of delegation is adhered to at all times.

Trust budgeting and reporting the trust's financial position

The trust board has a three-year trust development plan, which explains how it intends to use its resources to achieve its aims and objectives. The three-year budget derives from this plan.

The plan takes account of:

- The educational priorities for the trust.
- Likely demographic changes affecting pupils and staff.
- The building and repair maintenance programme.
- Repair and renewal programmes for furniture, fittings and equipment.

The plan is reviewed on an annual basis and updated in the light of new information and changed priorities.

The trust board takes an integrated approach to curriculum and financial planning 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.

The budget is constructed by the Chief Financial Officer using the following processes:

- An estimation of income, including grant and other income such as income from lettings, catering and other sources. The trust board challenges pupil number estimates because these underpin revenue projections, and reviews these at each Finance, Audit & Risk committee meeting.
- An estimation of staffing costs, based on a staff salary calculator and considering known appointments, retirements and rates of pay.
- An estimation of other expenditure based on service level agreements and likely cost trends.
- The identification of potential savings.
- The allocation of curriculum budgets to departments,
- Managing planned levels of unspent balances – ensuring that the resulting annual surplus or deficit is in line with plans to recover from an overall deficit position, or build up unspent balances to fund future development plans.

Planned capital income and expenditure are identified separately within the budget.

The Chief Financial Officer also produces a cash flow forecast for the year and a projected balance sheet for the year end. The trust manages its cash position robustly and avoids becoming overdrawn. The bank has been notified that none of the trusts accounts are to become overdrawn.

The budgeting process starts at the beginning of the spring term each year. The Chief Financial Officer draws up a draft budget for the following financial year. This is submitted to the Finance, Audit & Risk committee for their review, discussion and amendment if appropriate. The budget is then submitted to the full trust board for formal review and approval, before sending to the ESFA by their specified deadline. The trust board minutes its approval of the budget.

The trust submits to the ESFA in a form specified by them in accordance with their required timetable.

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

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

If an unplanned deficit occurs during the financial year, the trust must notify the ESFA as soon as it is aware of this.

The Chief Financial Officer produces management accounts every month setting out the trust's financial performance and position, including an income and expenditure account, any variations to budget, cash flows and a balance sheet. The trust has selected key financial performance indicators and measures performance against them regularly, including analysis in its annual trustees' report.

The management accounts are shared with trustees every month. The board considers these when it meets and ensures that action is being taken to maintain financial viability including addressing variances between the budget and actual income and expenditure.

After the budget has been approved by the trust board and sent to the ESFA, it can only be amended for virements (internal transfers). Budget holders cannot exceed their budget allocation, unless they have the written approval of the principal.

The trust:

- Completes the school resource management self-assessment tool and submits the completed checklist to the ESFA by the specified annual deadline.
- Explains its policy for holding reserves in its annual report.

Computerised accounting system

The trust has prepared a business continuity plan which includes the actions the trust would take in the event of loss of accounting facilities or financial data. This links in with the annual assessment made by trustees of the major risks to which the trust is exposed and the systems that have been put in place to mitigate those risks.

The trust's accounting system is computerised. Access to the system is restricted to the trust's employees and those authorised by the CEO, such as an outside bursarial service. The system is accessed by passwords, which are changed routinely. Passwords are only known by the relevant member of staff and the systems manager. Passwords are changed immediately if an employee is aware that an unauthorised person has learnt their password. If an outside provider uses the computerised accounting system, they are given their own user id and password.

Software is installed on the trust's computer systems to detect viruses, spyware, and other malicious threats. Regular updates are used to ensure that the latest threats are detected. There is also a facility for cleaning up infected files.

Access rights and levels of access are still assigned relevant to the responsibilities of individual users. The trust applies a principle of least privilege when assigning these rights. Access for staff who are no longer employed by the trust is removed as soon as the staff member leaves.

The system is backed up daily by the IT manager. A full weekly backup is taken and not overwritten for four weeks. The trust employs 3-2-1 backup strategy, the backup servers are in a physically different location to the main servers and an encrypted offline backup is stored in another separate building with a copy held off-site. A backup is always made before any major change to the system, such as an accounting software upgrade.

Alterations to any original documents such as cheques, invoices, orders and other vouchers are made clearly in ink and initialled. The use of correcting fluid or the erasure of information is not acceptable.

The trust complies with the requirements for retention of records prescribed by the Companies Act and charity legislation.

The trust complies with the requirements of the Data Protection Act.

Transaction processing

All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual.

The Chief Financial Officer obtains and reviews system reports to ensure that only regular transactions are posted to the accounting system. The report obtained and reviewed includes:

- Masterfile amendment reports for payroll, the aged creditors and the aged debtors.
- Management accounts summarising expenditure and income against budget at budget holder level.

Reconciliations

The Chief Financial Officer is responsible for ensuring that 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.
- Bank balance per the nominal ledger to the bank statement.

The Chief Financial Officer signs all reconciliations as evidence of review.

Authorised signatories list

An authorised signatory list, including specimen signatures and covering all key financial systems, is held in the finance office for reference purposes.

Payroll

The Headteachers approve all appointments, terminations and salary levels. They have established procedures to:

- Ensure personnel are competent, suitably qualified and trained to a level consistent with their responsibilities.
- Provide clear statements of criteria for personnel selection.
- Provide formal job descriptions.
- Ensure that the cost of all appointments, re-gradings and any other changes in conditions of service of staff can be met within the resources available to the trust.

The CFO maintains a list of staff employed by the trust and their current salaries, which has been authorised by the trust board.

The Human Resources Officer maintains a record of all appointments and resignations, changes in remuneration, and records of sickness and other leave.

Staff remuneration is made in accordance with the trust's pay policy. All appointments are confirmed by letter and further details are included in the employee's contract of employment and statement of particulars. The Human Resources Officer carries out the specified pre-employment checks.

The trust uses the services of a payroll agent and the contract between the trust and the agent includes:

- The responsibilities of the trust and the payroll bureau.
- The responsibility for making returns to HMRC and the dates by which these returns should be made.
- Details of ownership of programs and data files.
- Responsibilities for the control and accuracy of data.
- Details of authorised signatories for payroll amendments.
- Back up provisions.
- A schedule of reports to be sent to the trust for financial and personnel monitoring purposes.
- An agreement as to the response time and costs that will be charged for any additional data or reports required by the trust.
- Provision for access for trust staff and auditors.

The payroll agent processes the staff payroll only on the written instructions of the principal and the Chief Financial Officer. They do not process salary changes authorised by the person whose salary is changing. The CEO notifies any changes to the Headteachers salary to the payroll agent. The Chair of Trustees notifies any changes to the CEO's salary to the payroll agent. The Chief Financial Officer is responsible for notifying the payroll agent of changes to individual pension arrangements, for example opting in or opting out.

Payments are made as follows:

- Net payments to staff, by BACS, to employees of the trust.
- HMRC payments, by the payroll agent, to HMRC.
- Pensions payments, by the payroll agent to the pensions authorities.
- Overtime claims, as part of net payments to staff, through the payroll.
- Expense payments, through the payroll.

Access to personnel files is restricted to the CEO, headteachers, the Human Resources Officer and the Chief Financial Officer and business managers.

No individual is treated as 'self-employed' without the clearance of HMRC.

Monthly procedures

- The finance office completes standing data amendment forms and summarises overtime worked.
- The HR officer ensures that expenses and overtime have been validly incurred and appropriately authorised. Claims are not returned to claimants after this check has been carried out.
- The Chief Financial Officer ensures these checks have been carried out and authorises the information to be sent to payroll for processing.
- The assistant business manager checks the payroll printout received from the payroll agents to ensure that it is only paying its own staff at the correct rates.
- The Headteachers and Chief Financial Officer authorise the payroll agent in writing to make the salary payments.
- A monthly print-out of amounts paid to employees is retained by the trust and initialled by the Chief Financial Officer and headteacher as evidence of the checking and authorisation procedure.
- The assistant business manager and the CFO check gross pay, as per the payroll, to personnel records annually.

Additional payments

Any additional payments to staff, for example overtime, must be approved by the Chief Financial Officer, head teacher or CEO in advance and the agreed rate of payment should be confirmed in writing. All such payments should be claimed on an official claim form which must be completed in full, including the reason for the claim, and signed and dated by the claimant. The claim should be approved by the relevant budget holder and payment is made through the monthly payroll.

Failure of the payroll system

Monthly salary payments are transmitted via the payroll agent. The transmission to bank takes place at least three working days before the payment date. Therefore the trust should be aware of any difficulties at least three working days in advance, thus minimising risk.

The trust's bank has been consulted regarding a possible failure to the payroll system or the usual method of transmission. In the event that pay details could not be transmitted to the bank via the usual system, the payroll database would be emailed directly to the bank and the content checked via telephone. The bank would arrange payments directly.

In the event of total IT failure at the trust, payments would be discussed directly by telephone with the payroll agent.

Payment of expenses

The trust has an expenses policy which is reviewed by the trust board on an annual basis. The policy provides guidance about expenses which can be reimbursed to members, trustees, directors, trustees and members of staff.

Purchasing

The trust board makes its buying decisions in accordance with the principles of 'best value' probity and accountability. Contracts are placed on a competitive basis and the reasons for selecting a supplier are minuted. Divisible contracts are prohibited.

The health and safety competence of contractors is assessed.

Only contractors registered with their professional or trade association are employed to carry out major work at the trust.

Approved suppliers

The finance office maintains a database of approved regular suppliers.

The finance office selects suppliers on the basis of their capacity to provide quality, quantity, service, timely delivery and price competitiveness. Volume discounts and credit terms are taken into account. Consortia are used where they provide value for money.

Suppliers are selected from:

- Business directories.
- Trade journals.
- Internet searches.
- Supplier catalogues and mailshots.
- Information from other academies.
- Information provided by the ESFA.

The listing of approved suppliers is reviewed and approved on an ongoing basis by the Chief Financial Officer and on an annual basis by the Finance, Audit & Risk committee.

Tendering

All purchases with a value of £50,000 or more are put out to formal tender. The trust advertises throughout the member states of the European Community where there is a legal requirement to do so. Where appropriate, the suppliers invited to tender are drawn from the approved list maintained by the finance office.

Where required by the conditions attached to a specific grant from the DfE/ESFA, the relevant body's approval is obtained before accepting a tender.

The following tendering procedures are followed:

- The budget holder prepares a specification, which is authorised by the principal and sent to at least four suppliers.
- The invitations to tender include:
 - An introduction/background to the project.
 - The scope and objectives of the project.
 - Any technical requirements.
 - Implementation details for the project.
 - The terms and conditions of the tender.
 - The form and date of response to the trust.

The use of brand names is avoided and, where appropriate, a European or British Standard or other quality guideline is sought. Reference is made to appropriate safety standards and fire and health and safety regulations.

- All replies are addressed to the Chief Financial Officer in a plain sealed envelope marked 'Tender'.
- The date of receipt of the sealed tenders is recorded on the envelope.
- No supplier is allowed to amend their tender after the fixed date for receipt.
- All tenders are opened at the same time by staff authorised to do so. Two persons should be present for the opening of tenders as follows:

This should be the Chief Financial Officer or the headteacher and CEO or a member of the Finance, Audit & Risk committee.

- The following information is recorded:
 - The date and time of opening.
 - The names and signatures of those present.
 - The value of each tender.
 - Details of suppliers who declined the invitation, or failed to submit a tender.
 - Any omissions in the submission, for example, documents, signatures, missing data.
- Late tenders are rejected and retained unopened until the contract is awarded. They are then returned to the tenderer with an explanatory note.

- Where contracts under seal provide for payments to be made in instalments, the principal ensures a contract register is maintained which shows the state of the account on each contract together with related professional fees and other payments.
- The finance audit and risk committee makes recommendations as to which tender to accept. The decision as to which tender to accept is made by the full trust board.
- The reasons for accepting a particular tender are in accordance with the trust's best value policy.
- Suppliers – the following points are considered when deciding which tender to accept:
 - Qualifications, technical ability and experience.
 - Pre-sales demonstrations.
 - After sales service.
 - Quality procedures.
 - References from existing customers.
 - Financial status.
 - Professional indemnity insurance.
- Cost – the following points are considered when deciding which tender to accept:
 - Overall price.
 - Unit price for parts of the product or service.
 - The possibility of 'hidden costs'.
 - Scope for negotiation. In any negotiations, the trust will not disadvantage other tenderers or compromise the original tender process. In all such cases, the reasons for negotiations is stated and reported to the Finance, Audit & Risk committee.
- The contract awarded is signed by the principal and the Chair of Trustees.

Quotations

Quotations are obtained as follows:

- Purchases up to £1,000 – catalogue price lists.
- Purchases of £1,001 to £5,000 – two written quotations.
- Purchases of £5,001 and above – three written quotations

Purchase orders

Computerised, pre-numbered orders are used for all goods and services and all orders are placed through the finance office.

Orders are only made by telephone in exceptional circumstances and then confirmed in writing. A copy of any spoiled order is retained on the computer, and marked as such. Official trust orders are not generated for the private use of individuals.

The ordering process

- The budget holder raises and signs a requisition form stating the number of items and price of the order to be raised.
- The budget holder sends the requisition to the finance office who check that the budget holder has sufficient funds for the purchase.
- The finance office generates a two-part official computer order.
- The Chief Financial Officer/budget holder approves the official order before it is despatched.
- The finance office signs the official order as placed.
- The finance office distributes the copy orders as follows:
 - Electronic copy is emailed to the supplier.
 - The second copy is retained in the finance office.
- The computer records all orders placed that have not yet been invoiced. The finance office provides a list of orders to the relevant budget holders on request.
- Cancelled orders are marked as such, with the reason for cancellation, and retained in the finance office.

Receipt of goods

- All goods received are delivered to the budget holder who carries out a prima facie check to ensure that the delivery is complete.
- If the delivery is only partly fulfilling an order, the budget holder notifies the finance office which maintains a record of this.
- The finance office follows up any shortages or defective items with the supplier.
- The finance office records shortages or defective items in a central goods returned file.

Purchase invoices

- The finance office records invoices on the computer as soon as they are received by the trust.
- The finance office grid stamps the invoice and passes it to the budget holder for approval.
- The finance office checks the invoice against the order and delivery note and evidences this on the grid stamp.

Payment of invoices

The finance office reviews the creditors' ledger regularly and selects invoices for payment.

It is the policy of the trust to pay all invoices by the due date and to take advantage of any discounts available for early settlement where this is to the trust's advantage.

Invoices are paid within 30 days unless they are disputed.

Payment is made when the finance office has made the following checks:

- The purchase is recorded on the purchase ledger.
- The purchase represents valid trust expenditure.
- Goods or services were ordered using the trust's ordering policy.
- Goods or services have been received and checked to the order and delivery note.
- Payment has not already been made.
- Prices agree with quotations, tenders, contracts or catalogue prices.
- The arithmetic on the invoice is correct.
- The invoice has been correctly coded.
- Discounts have been taken where applicable.
- VAT is properly accounted for.

The finance office completes the relevant sections of the grid stamp. The Chief Financial Officer authorises payment, having ensured that the budget holder has signed the order and that all of the trust's procedures have been followed.

Cheque payment

All supporting documentation is passed to the cheque signatories together with the cheque for signing. The cheque signatories initial the invoices they have seen as a record to show that they were signing for valid trust expenditure and that the relevant pre-checking process had been carried out by the finance office.

Credit notes

Credit notes are attached to the relevant invoices when they are received.

Completeness of supplier balances

Invoices and credit notes are posted to the computer as soon as the trust receives them.

The finance office reconciles individual supplier balances to supplier statements, where available, on a monthly basis.

Segregation of duties

The trust board is responsible for ensuring the trust has appropriate structures in place to enable effective segregation of duties. The Chief Financial Officer is responsible for ensuring effective segregation of duties is maintained at all times.

Retention of records

The Chief Financial Officer is responsible for the secure retention of all financial documents for the period required by the Companies Act and charity legislation. These documents may be requested by authorised external agencies at any time, for example the trust's auditors or the ESFA. The Chief Financial Officer makes arrangements with the IT manager for the secure retention of electronic

accounting records in accordance with the trust's internal data security policy and management and retention of records policy.

Controls over expenditure

Individual budget holders are able to authorise for goods and services up to £1,000 (for individual items) and within their budget. Authorisations over this amount must be referred to the Headteacher who can authorise expenditure up to £10,000 (for individual items). Authorisations over £10,000 must be referred to the CFO who can authorise expenditure of up to £20,000 (for individual items) provided they have already been budgeted for. Authorisations over £20,000 must be referred to the CEO who can authorise expenditure of up to £50,000 (for individual items) provided they have already been budgeted for. Over this, authorisation must be sought from the finance audit & risk committee.

Virements

Virements (internal transfers) of up to £10,000 may be authorised by the CEO and these must be reported to the Finance, Audit & Risk committee. For virements over £10,000 and up to £30,000, consultation is required with the CEO and agreement sought from the Finance, Audit & Risk committee who may authorise any virements of funds from the contingency. If the necessary virement exceeds £30,000, then the full trust board authorise the virement.

Budget holders

Budget holders are heads of department or other members of staff who hold responsibility for particular budget areas. Budget holders are accountable for the management and monitoring of their budgets, for achieving value for money and for adherence to the trust's financial procedures.

Any anticipated variance from the budget holder's original spending plan must be reported immediately to the Chief Financial Officer. It is the responsibility of the budget holder to ensure that the funds available are not overspent.

Budget holders are informed of the budget available to them at the start of each academic year.

The budget holder is responsible for the safeguarding of departmental assets and the implementation of effective and secure arrangements for the holding and issuing of stock relating to the department.

Formal stock taking procedures are implemented where a stock valuation is required for the year end accounts.

Requests to carry forward balances from individual budget areas are not routinely allowed, should there be a specific and compelling reason for funds to be carried forward this must be approved by the principal or the Chief Financial Officer.

Petty cash

Petty cash is used for the purchase of minor items, which have been budgeted for. The petty cash float is maintained on the imprest system and the maximum balance is £100. The float is only reimbursed from the main bank account. The locked petty cash tin is held in the safe.

Payments from petty cash are only made on completion of a voucher and production of a till receipt or other proof that payment has been made and cannot exceed £10 in value. Petty cash payments are subject to the same authorisation procedures as purchases from the main bank accounts. They are passed for payment by the finance manager. The person receiving reimbursement signs for the amount received.

The petty cash float is reconciled on a monthly basis by the finance officer and checked by the finance assistant. The reconciliation is checked by the finance officer and initialled as evidence of this review. The Chief Financial Officer carries out an unannounced count of petty cash at least once a year.

In no circumstances are:

- Personal cheques cashed through petty cash.
- Staff loans paid through petty cash.

Income

Introduction

The trust board has overall responsibility for ensuring that all income due to the trust is properly accounted for. Day-to-day responsibility for this is delegated to the Chief Financial Officer. Income, including valuations for donated services and gifts in kind, is accounted for in accordance with the requirements set out in the Academy Trust Handbook.

The Chief Financial Officer is responsible for ensuring income is designated to the correct fund and budget area. The Chief Financial Officer provides updates on fund balances to the Finance, Audit & Risk committee at each of their meetings.

Receipts are given for all amounts of non-grant income, including transfers between staff.

All amounts received are banked intact and accounted for in full. Cash receipts are not retained and used for any other purpose.

In instances where facilities or services are provided by the trust, the trust board will ensure at least the full cost is recovered through the fee. Fees chargeable are reviewed annually by the Finance, Audit & Risk committee.

The provision of services, such as private consultancy or other paid work or training outside of the employment contract with the trust, is not permitted without the consent of the CEO in the case of members of staff and by the Chair of Trustees in the case of the principal. Requests for approval must be submitted and authorised in writing. All fees receivable are invoiced by the trust and paid in full into the trust's bank account.

Any bids for funding from external sources are submitted only with the knowledge and consent of the principal.

Cash banking

The following banking procedures apply:

- All controlled (numbered) stationery, including banking bags, paying-in books, cheque books etc, is held securely and numbered items are used consecutively. If any item of numbered stationery is not used for any reason, the item is retained on file, together with an explanation as to why it was not used. There should be no item for which there is no account.
- Visits to the bank are made by two people.
- For cash collections in relation to the catering provision, and any other trust activities:

- The trust ensures an appropriate till facility is in place, that receipts are issued and that cashing-up and reconciliation procedures are carried out daily.
- The total sum passed to the finance office for banking is accompanied by the appropriate paperwork detailing the amount and details of the source of income, supported by names or receipts.
- The total sum passed to the finance office is checked immediately and verified against the accompanying paperwork.
- A receipt for the cash and cheques handed to the finance office is provided immediately.
- Any discrepancies between the amount received and the details included in the paperwork are highlighted, queried and resolved immediately.
- Income is brought to the finance office on a daily basis.
- These procedures also apply to miscellaneous cash collections from within the trust, for example, school trips, resit examinations and staff events. In addition, a separate record of the various collections, supported by documentation, is held for each event/activity.
- Cash and cheques received by the finance office and their accompanying stationery are transferred to the safe immediately, and not held elsewhere.
- The banking bag and accompanying forms are prepared as soon as possible, and at least on a daily basis. This includes the completion of a numbered paying-in slip which is not detachable from its book and which reconciles with the receipt issued. The name of the person who has prepared the banking is included on the slip.
- Cheques and cash received for the same event/activity are accounted for on the same paying-in slip and within the same banking bag, ie not separated. Bank paying-in slips show the split of cash and cheques and reference cheques to the related debt. Cheques are identifiable by reference to the receipt numbers and names of the drawers and cash by reference to receipt numbers.
- The member of staff who has prepared the banking bag and accompanying stationery enters the amount on the accounting software on that same day. This entry matches the receipt issued.
- Visits to the bank for the purposes of paying in cash and cheques are kept to a minimum for security reasons because the trust arranges cash collections through a courier.
- Where unusually high levels of cash are received, these are banked on the day of receipt.
- Where visits to the bank are necessary, banking is carried out, normally by the same person, accompanied by an independent member of staff who does not work in the finance office. The following procedures apply:
 - The member of staff who delivers the income to the bank signs the stub of the paying-in book, by way of a record of the visit, and a dated bank stamp is obtained.
 - Under no circumstances is the bank shoot used as a method of paying in.
 - In no circumstances do cash holdings on the trust premises exceed the insured limit.

- The transaction is reconciled to the accounting system upon receipt of the bank statement and verified against the paying-in book and original receipt.
- The school gives due consideration to the separation of duties in relation to banking procedures.

Postal receipts

All incoming cheques and cash are recorded immediately and entries verified by someone other than the person who has made the entry.

Fund-raising events

Records are maintained for each fund-raising event, in sufficient detail to identify gross receipts and how they have arisen, and all costs incurred.

For all events for which there is ticket income or gate money, reasonableness checks are carried out to ensure the takings equate to the number of tickets issued multiplied by the price per ticket.

Similar records are maintained for sponsored events.

The gift aid scheme

To ensure that the charity receives all the money to which it is entitled, the Chief Financial Officer:

- Makes regular checks against records to ensure that expected amounts have been received from the donor.
- Ensures that in the case of gift aid donations from individuals, the tax reclaimable has been obtained from HMRC.
- Is careful not to over claim tax repayments.

Letting of trust facilities

All lettings are subject to a letting agreement, setting out the terms and conditions of the trust letting, including the agreed charge.

The trust board, on the recommendation of the Finance, Audit & Risk committee, approves letting rates on an annual basis. Free use and charges below economic cost are not permitted unless specifically approved by the full trust board.

- All hiring of trust equipment and facilities is recorded on the letting planner kept by the facilities manager and in a lettings diary.
- The lettings diary and the letting planner are reviewed by the finance manager on a monthly basis to ensure that all lettings have been invoiced.
- When a letting is booked, the hirer completes a hire form.
- The finance office generates sales invoices from the computer.
- All monies are subject to receipt in accordance with the terms of the trust's debt collection policy.
- The trust ensures that relevant insurance is in place for each letting.

Trust trips

Letters are sent to parents requesting payment for voluntary contributions.

All monies received for trips are paid to the finance office which accepts money via parentpay. The finance office is responsible for keeping adequate records of income and expenditure on a class list.

The finance office prepares a final income and expenditure account for each trip which has taken place and reports these to the Finance, Audit & Risk committee. The Finance, Audit & Risk committee ensures that money collected and expended for each trip is in accordance with the trust's charging policy.

Donations and gifts

The Chief Financial Officer maintains a detailed record of all donations or gifts made to the trust and ensures these are used in accordance with the purposes specified by the donors.

Online payment system

The trust makes provision for parents to make secure payment for certain activities online via ParentPay. Parental access is via the use of a secure password and the provision of an electronic receipt is available to the parent following payment.

Records from the online payment system are generated to support the process of monitoring and reconciliations and these are retained for a period of six years.

Payment by credit or debit card

We do not accept card payments of any kind only through Parentpay

Bad debts

All credit arrangements are approved by the Finance, Audit & Risk committee.

The Chief Financial Officer is responsible for ensuring the regular raising and payment of invoices and that VAT is correctly accounted for where it applies.

The trust chases all money due to it, which has not been paid within 30 days of an invoice being issued, by telephone and letter, depending on how much time has elapsed since the money was due to be paid.

The Chief Financial Officer reviews the debtors account on a monthly basis and takes any action necessary in relation to overdue debts. Outstanding debts over 90 days are reported to the finance audit and risk committee.

Writing off bad debts

The writing off of bad debts will only be considered after all avenues for recovery of the debt have been explored and following careful consideration.

The trust board recognises the delegated limits included in the Academy Trust Handbook and seeks approval in any situation where the proposed sum to be written off is in excess of the limits stated.

Bank and cash

Bank facilities

The trust board is responsible for the appointment of the trust's bankers and only the trust board can authorise the opening or closing of bank accounts.

The trust does not overdraw its bank account or arrange with its bankers for overdrafts, loans or any other form of credit or deferred purchases. The bank has been informed that the trust is not allowed to borrow funds and that on no account should it be allowed to become overdrawn. The trust does not offer any security to the bank. All funds surplus to immediate requirements are invested in accordance with the trust board's investment policy.

Bacs payments and other electronic payments are preferred to cheque payments, cheque payments should only be used where there is no other suitable alternative.

All cheque payments from the bank accounts require two authorised cheque signatories. All signatories are senior members of staff. The Chief Financial Officer maintains an approved list of signatories (including specimen signatures). Cheques are not pre-signed.

All cheques drawn are crossed 'account payee only'. All chequebooks and other controlled, ie numbered, stationery are kept in a locked cupboard or filing cabinet. All bank statements are filed sequentially.

Authorised signatories must not sign a cheque relating to goods or services for which they have also authorised the expenditure.

The operation of systems such as bankers' automatic clearing system (BACS) and other means of electronic transfer of funds are subject to the same level of authorisation and control.

Bank reconciliations

All bank accounts are reconciled on a monthly basis by the finance office. The Chief Financial Officer reviews all reconciliations, signing them as evidence of review.

Charge and credit cards

The following procedures apply for the use of the trust's charge and credit cards:

- The trust's charge and credit cards are only used for specific trust purchases and must not be used for personal expenditure.
- The purchases are within the funds allocated to the budget holder.
- Authorised users are approved by the trust board.
- The cards may not be loaned to another person.
- Purchase invoices and requisition forms are checked by the finance office against the amounts entered in the accounting system and reconciled with the bank statements and credit card statements.
- The balance on the cards is paid in full each month.

Cash advances

The principal and budget holder/Chief Financial Officer may authorise cash advances in exceptional circumstances where a member of staff will incur expenditure on behalf of the trust. The member of staff completes a form acknowledging receipt of the money. Receipts are retained by the member of staff and provided to the finance office immediately following return to the trust.

General security

Key holders to the safe are authorised by the Finance, Audit & Risk committee and keys to the safe are held securely at all times. Any loss of a key to the safe or the finance office is reported to the Chief Financial Officer immediately.

Capital projects

In circumstances where capital projects are undertaken by the trust, the trust board will give consideration as to how these can be best managed within the resources available. Separate project budget monitoring and reporting will be carried out in relation to designated capital projects.

Fixed assets

Asset register

The (Assistant) Business Managers and IT manager maintain the asset registers. The trust includes details of all assets with a cost greater than £1,000 and 'attractive' items below that value, in the asset register. The register records:

- Asset description.
- Asset number.
- Serial number.
- Date of acquisition.
- Asset cost.
- Source of funding.
- Expected useful economic life.
- Depreciation.
- Current net book value.
- Location.
- Name of member of staff responsible for the asset.

Items used by the trust but owned by others are included, with a note of ownership. Leased items are identified as such with the termination date of the lease.

The Chief Financial Officer checks that the asset register has been checked to assets in the trust annually. Any discrepancies are investigated and reported to the principal who informs the trust board of the loss and any known reason for this. The insurers are notified as appropriate.

Any assets removed from the trust site for trust purposes are recorded in a loan book. Assets owned or leased by the trust will not be loaned for personal use.

The length of time the asset will be off site is recorded together with the appropriate authority. The appropriate authority is the Chief Financial Officer. The finance office checks that assets will be insured before they are removed from the trust. No assets are removed from the trust for a period of time which would unreasonably deny the trust use of those assets.

All assets are security marked.

Disposal of assets

Disposal of land, buildings and heritage assets is carried out in accordance with the requirements of the trust's funding agreement and approval is sought from the ESFA.

All disposals and write-offs of assets, other than land, buildings and heritage assets, are authorised by the CEO up to the value of £10,000. The disposal or write-off of assets over this value is authorised by the Finance, Audit & Risk committee. Disposals must attract the best price possible and items no longer required over the value of £5,000 will be sold where possible,

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

The following records are kept for disposals:

- The item disposed of.
- The date of disposal.
- The method of disposal.
- The proceeds of sale or how disposed of if scrapped.
- The person authorising the disposal.

No item is leased or hired to a third party without the approval of the principal or trust board in accordance with the values stated above for the authorisation of the sale of assets.

Losses

All losses are reported to the Chief Financial Officer who informs the police if the loss is a result of burglary or theft and the insurance company is informed at the same time. Action is taken immediately to prevent further loss.

The Chief Financial Officer maintains a record of losses and insurance monies received. The trust board is informed of all losses.

Leasing

The trust board is responsible for approving all operating leasing and hiring arrangements.

No leased item is disposed of without the express permission of the leasing company. This includes sale, part exchange, scrapping, writing-off, donating, re-leasing, subletting or any other form of disposal.

The trust board seeks the ESFA's approval for any arrangement to enter into a finance lease, to take up or grant a tenancy or leasehold of a building of any value.

Investments

All investment decisions are made in accordance with the requirements of the Academy Trust Handbook and the Charity Commission's guidance.

The trust has an investment policy which is reviewed annually.

- The board of trustees may invest to further the trust's charitable aims, but must ensure that investment risk is properly managed.
- When considering making an investment, the board of trustees must:
 - Act within their powers to invest as set out in their articles of association.
 - Have an investment policy to manage, control and track their financial exposure, and ensure value for money particularly if using unfamiliar investment techniques.
 - Exercise care and skill in all investment decisions, taking advice as appropriate from a professional adviser.
 - Ensure that security takes precedence over revenue maximisation.
 - Ensure that all investment decisions are in the best interests of the trust and command broad public support.
 - Review the trust's investments and investment policy regularly.

Freedoms and delegations and transactions requiring ESFA consent

Novel, contentious and repercussive transactions

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

Novel, contentious and/or repercussive transactions must always be referred to ESFA for explicit prior authorisation. Trusts should carefully consider the impact of this requirement and its relevance to transactions involving the board chair and/or the accounting officer. The ESFA may also need to refer such transactions to HM Treasury for approval and so trusts should allow sufficient time for proposals to be considered.

Borrowing

The trust 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, and regardless of the interest rate chargeable.

Credit cards must only be used for business (not personal) expenditure, and balances cleared before interest accrues.

The Education Secretary's position is that academy trusts will only be granted permission for borrowing in exceptional circumstances.

Write-offs and entering into liabilities

The trust must obtain the ESFA's prior approval for the following transactions beyond the delegated limits of the two categories set out 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 one financial year per category of transaction for any trust that has not submitted timely, unqualified audited accounts for the previous two financial years. This category includes new academies that have not had the opportunity to produce two years of audited accounts.
- Cumulatively, 5% of total annual income in any one financial year per category of transaction for any trust that has submitted timely, unqualified audited accounts for the previous two financial years.

In relation to these limits:

- The trust should always pursue recovery of amounts owed to it, overpayments, or payments made in error, irrespective of how they came to be made. In practice, however, there will be both practical and legal limits as to how cases should be handled.
- The trust should only consider writing-off losses after careful appraisal of the facts, including whether all reasonable action has been taken to effect recovery from the debtor, the trust's insurers, or the risk protection arrangements, and should be satisfied that there is no feasible alternative.
- The amounts for write-offs are before any successful claims from an insurer or the risk protection arrangements.
- Total annual income is defined as grant income as disclosed in the trust's last set of audited accounts. The ESFA should be contacted if the trust has not yet published their first set of audited accounts.

Before accepting any liabilities for the following, the trust should secure value for money by appraising the proposal through an assessment of the costs and benefits of relevant options.

The liabilities are:

- Issuing guarantees.
- Providing a letter of comfort.
- Providing indemnities.

Special payments

Special payments are transactions that fall outside a trust's planned range of activities and may exceed statutory and contractual obligations. They are subject to greater control than other payments and include:

- Staff severance payments.
- Compensation payments.
- Ex gratia payments.

Special staff severance payments

Special staff severance payments are paid to employees, outside of normal statutory or contractual requirements, when leaving employment in public service whether they resign, are dismissed or reach an agreed termination of contract. They are different to ex-gratia payments.

If the trust is considering making a staff severance payment above the statutory or contractual entitlements, it must consider the following issues before making a binding commitment:

- That the proposed payment is in the interests of the trust.
- Whether such a payment is justified, based on a legal assessment of the chances of the trust successfully defending the case at employment tribunal. If there is a significant prospect of losing the case, then a settlement may be justified, especially if the costs incurred in maintaining a defence are likely to be high. Where a legal assessment suggests that the trust is likely to be successful, then a settlement should not be offered.
- If the settlement is justified, the trust would then need to consider the level of settlement. This must be less than the legal assessment of what the relevant body (eg an employment tribunal) is likely to award in the circumstances.

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 be successful in an employment tribunal claim because of employment law procedural errors. In the case of poor performance, an acceptable comparison would be the time and cost of taking someone through performance management and capability procedures.

The trust has delegated authority to approve individual staff severance 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, the ESFA's prior approval must be obtained before the trust makes any binding offer to staff.

Academies should demonstrate value for money by applying the same level of scrutiny to a payment under £50,000 as if it were over the £50,000 delegation. The ESFA has produced guidance and a submission template.

Additionally, the trust must obtain prior ESFA approval before making a staff severance payment where:

- An exit package which includes a special severance payment is at, or above, £100k.
- And/or the employee earns over £150k.

Compensation payments

Compensation payments are made to provide redress for loss or injury, for example: personal injuries; traffic accidents; or damage to property. If the trust is considering making a compensation payment, it must base its decision on a careful appraisal of the facts, including legal advice where relevant, and ensure that value for money will be achieved.

The trust has 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, the ESFA's prior approval must be obtained.

The trust routinely considers whether particular cases reveal concerns about the effectiveness of internal control systems, and takes any necessary steps to put failings right.

Ex-gratia payments

Ex-gratia payments are another type of transaction that go beyond statutory or contractual cover, or administrative rules. Annex 4.13 of HM Treasury's Managing Public Money provides examples, which include payments to meet hardship caused by official failure or delay, and payments to avoid legal action on the grounds of official inadequacy.

Ex-gratia transactions must always be referred to the ESFA for prior authorisation. HM Treasury approval may also be needed depending on the nature of the transaction. If academies are in any doubt about a proposed transaction, they should seek prior advice from the ESFA.

Acquisition and disposal of fixed assets

Academies must seek and obtain prior written approval from the ESFA for the following transactions:

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

Other than land, buildings and heritage assets, academies can dispose of any other fixed asset without the ESFA's prior approval. The trust ensures that any disposal achieves the best price that can reasonably be obtained, and maintains the principles of regularity, propriety and value for money.