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# Finance

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## Policy

Last updated: March 2021 (aligns with the 2020 version of the Academies Financial Handbook)



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## Statement of intent

It is important for The Tower Trust to demonstrate that it does not benefit personally from decisions they make with regards to the spending of public money. To ensure that the financial standing of the Trust cannot be brought into disrepute, this policy will be implemented by all academies within the Trust, guaranteeing consistency in financial procedures across the academies.

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

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

Procedures Issued:	March 2021
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Next Review:	March 2022
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Chair of Trustees:	Daniel Scullion
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Chief Executive Officer:	Susan Ward
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## 1. Legal framework

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

- Employment Relations Act 1999
- Companies Act 2006
- The Equality Act 2010
- The Education (School Teachers' Appraisal) (England) Regulations 2012 (as amended)
- **[Updated]** ESFA (2020) 'Academies financial handbook 2020'
- DfE (2016) 'Academies financial assurance'
- ESFA (2019) 'Declare or seek approval for related party transactions: summary guidance'
- **[Updated]** DfE (2020) 'Good estate management for schools'

1.2. This policy operates in conjunction with the Trust's Financial Scheme of Delegation, Financial Procedures Manual and following [Academy policies](#):

- Whole School Pay
- Reserves and Investment
- Tendering and Procurement
- Gifts, Hospitality and Anti-bribery
- Data Protection
- Central Funds
- Asset Management
- Risk Management
- Whistleblowing
- Trustees Expenses

And individual Academy Policies for:

- Charging and Remissions Policies

## 2. Roles and responsibilities

2.1. The Trust's members are responsible for:

- **[New]** being kept informed about trust business so they can be assured that the board is exercising effective governance. This must include providing the members with the trust's audited annual report and accounts.



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- Conducting the business of the Trust in accordance with company and charity law and adhering to the Trust's funding agreement with the Secretary of State.
  - Appointing the external and internal auditors.
  - **[New]** 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.

2.2. The Trust's board of trustees is responsible for:

- Applying the highest standards of conduct and governance and taking full ownership of their duties.
- Overseeing the financial performance of the Trust.
- Ensuring that the Trust's practices reflect the 'seven principles of public life' (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).
- Ensuring that funds are received according to the academy's funding agreement and are used only for the purposes intended.
- Ensuring the Trust complies with any financial notices to improve (FNtl) issued to it by the ESFA and that these are published on the Trust's website within statutory timeframes.
- Approving the annual budget, consolidated budget, central budget and each academy's budget.
- Ensuring the Trust has sound internal control, risk management and assurance processes.
- Ensuring that their decisions about levels of executive pay, including salary and benefits, follow a robust evidence-based process and are a reasonable and defensible reflection of the individual's role and responsibilities.
- Overseeing the financial performance of the organisation and making sure its money is well spent.
- Approving the Trust's three-year financial plan.
- Ensuring an appropriate financial scheme of delegation is in place, reviewed, approved and complied with.
- Ensuring assets are effectively managed.
- Ensuring accurate accounting records are maintained.
- Ensuring regularity and propriety in use of the Trust's funds, and achieve economy, efficiency and effectiveness.
- **[New]** The trustees must also take ownership of the trust's financial sustainability and its ability to operate as a going concern.



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- Appointing key positions and roles relating to finance, including business managers, accountants and auditors.
  - Appointing a finance & audit committee to advise on the adequacy of financial and other controls and risk management arrangements, direct a programme of internal scrutiny, and consider the results and quality of external audit.
  - Receiving the annual audit report.
  - Approving the mandates for the operation of academy bank accounts and credit cards.
  - Appointing an appropriate accounting officer that is the senior executive leader.
  - Ensuring the roles of senior executive leader and accounting officer do not rotate.
  - Appointing an appropriately qualified and/or experienced CFO.
  - Appointing an appropriately qualified and/or experienced CEO.
  - Appointing the headteacher for each academy.
  - Referring to the competency framework for governance to determine if any skills gaps are apparent and taking steps to mitigate these.
  - Referring and adhering to the six features of effective governance as set out in the 'Governance handbook'.
  - Keeping the Trust's approach to internal scrutiny under review, considering any changes to the Trust's size, complexity or risk profile.
  - **[New]** Overall responsibility for risk management, including ultimate oversight of the risk register, must be retained by the board of trustees, 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 board. Aside from any review by individual committees, the board itself must review the risk register at least annually. Trustees must ensure effective risk-based internal scrutiny.
  - Taking advice from the finance & audit committee and ensuring there is an appropriate, reasonable and timely response by the Trust's management team to findings by auditors, taking opportunities to strengthen systems of financial management and control.
- 2.3. **[New]** The accounting officer should be employed by the trust. The trust must obtain prior ESFA approval if it is proposing, in exceptional circumstances, to appoint an accounting officer who will not be an employee.
- 2.4. The accounting officer is responsible for:



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- Sharing the ESFA's '[Dear Accounting Officer](#)' letter with the members, trustees, the CFO and other members of the SLT, arranging for it to be discussed by the board of trustees and taking action, where appropriate, to strengthen the Trust's financial systems and controls.
  - Achieving value for money and the best possible educational outcomes through the economic, efficient and effective use of resources.
  - Ensuring regularity when dealing with items of income and expenditure in accordance with legislation, the terms of the Trust's funding agreement and the 'Academies financial handbook 2019' (AFH), and with the Trust's internal procedures.
  - Ensuring propriety with regards to expenditure and receipts, including standards of conduct, behaviour and corporate governance.
  - Completing and signing a statement of regularity, propriety and compliance each year and submitting this to the ESFA with the audited accounts.
  - The Trust's financial affairs.
  - Keeping full and accurate financial records.
  - The management of opportunities and risks.
  - Assuring the board of trustees that the Trust is compliant with the AFH and the funding agreement.
  - Informing the board of trustees, in writing, of any action or policy under consideration that is incompatible with the terms of the articles of association, funding agreement or the AFH.
  - Informing the ESFA, in writing, where they have advised the board of trustees that they are in breach of the articles of association, funding agreement or AFH but the board has continued with their actions.
- 2.5. **[New]** The CFO should be 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.
- 2.6. **[New]** 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.
- 2.7. **[New]** CFOs should maintain continuing professional development and undertake relevant ongoing training.



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2.8. The CFO is responsible for:

- Acting as the principal finance officer for the Trust.
- Ensuring that the Trust's financial position is managed at a strategic level within the framework for financial control determined by the board of trustees.
- Ensuring that all financial Matters focus on the wider needs of the Trust, rather than on any individual academy.
- Working with internal auditors to provide assurance to the Finance & Audit committee and board of trustees.
- Ensuring the annual accounts are properly presented and adequately supported by the underlying books and records of the Trust.
- Challenging finance staff to ensure that value for money is routinely obtained.
- Ensuring effective financial policies are in place across the Trust.
- Acting as an authorised signatory of the Trust bank account and the bank accounts of the academies within the Trust.
- Ensuring that forms and returns for the Trust are sent in line with statutory timeframes.
- Liaising with the headteacher and Office Manager/Bursar from each academy regarding financial matters.
- Ensuring the trust's annual summary report of the areas reviewed, key findings, recommendations and conclusions is submitted to the ESFA each year, and providing additional internal scrutiny reports if requested.
- Directing the trust's programme of internal scrutiny and reporting to the board on the adequacy of the trust's financial and other controls and management of risks.

2.9. **[New]** The Trust's finance & audit committee is responsible for:

- Reviewing the Trust's consolidated budget, central budget and three-year financial plan, as well as making recommendations to the board of trustees regarding these key documents.
- Approving the annual budget for each academy.
- Regularly monitoring expenditure and income against the budget and making any recommendations to the board of trustees.
- Reviewing the mandates for the operation of academy bank accounts and credit cards.
- Ensuring appropriate insurance arrangements are in place for the Trust.
- Implementing appropriate accounting policies.



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- Ensuring an appropriate framework of internal financial controls is established.
  - Ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 2006 and related ESFA guidance.
  - Acting as the audit committee for the Trust and reviewing reports on the effectiveness of the financial procedures and controls of the Trust.
  - Authorising changes to the personnel structure of each academy.
  - 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.

2.10. The Local Governing Body (LGB) is responsible for:

- Reviewing the budget for their academy and making recommendations for approval to the board of trustees.
- Ensuring that any grants are used for the purposes intended.
- Reviewing the actual income and expenditure against the approved budget for their academy and making recommendations to the board of trustees.
- Approving tenders according to the finance scheme of delegation.
- Making recommendations to the board of trustees in relation to the appointment, pay and contractual terms of members of the SLT in their academy.



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- Approving recommendations from their academy's headteacher in relation to the appointment, pay and contractual terms of members of staff other than members of the SLT.
  - Appointing the Office Manager/Bursar in conjunction with the headteacher and CFO.

2.11. The clerk to the board of trustees is responsible for:

Ensuring the efficient functioning of the board of trustees by providing:

- Administrative and organisational support.
- Guidance to ensure the board works in compliance with the appropriate legal and regulatory framework, and understands the potential consequences of non-compliance.
- Advice on procedural matters relating to the operation of the board.
- Ensuring papers, including agendas and minutes are circulated using Governor Hub.

2.12. The headteacher of each academy is responsible for:

- Ensuring budgetary control within approved budgets.
- Authorising contracts and orders, up to the amount stated in the scheme of delegation, reporting all decisions to the LGB.
- Authorising payments from the academy's bank account and BACS payments.
- Signing cheques and acting as the named debit card holder.
- Approving new staff appointments, except for senior staff positions.
- Making recommendations to the LGB regarding staff pay and contractual conditions, other than members of the SLT.
- Ensuring that draft budget papers are prepared for the consideration of the finance & audit committee.
- Authorising the disposal of assets according to the finance scheme of delegation.

2.13. The Bursar/Office Manager of each academy is responsible for:

- Managing day-to-day financial issues, including the establishment and operation of the accounting system.
- Maintaining effective internal controls.
- Drafting original and revised finance plans in cooperation with the headteacher and with the support of the CFO.
- Maintaining the accounting records.



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- Ensuring that purchase orders are raised prior to ordering goods/services, wherever possible, to aid effective budget monitoring and management.
  - Ensuring that payments are made to suppliers within 30 days after the date of the invoice.
  - Monitoring the budget on a monthly basis.
  - Re-forecasting on a monthly basis.
  - Ensuring the monthly completion of bank, petty cash and other reconciliations.
  - Monitoring cash flow during the month and liaising with the CFO regarding this, where necessary.
  - Acting as an authorised signatory for the purposes of signing cheques, certifying employee claims, etc.
  - Managing and processing online payments and payroll, subject to appropriate authority.
  - Ensuring that proper checks and controls are in place to cover day-to-day activities in accordance with the financial regulations manual.
  - Ensuring VAT is correctly accounted for.
  - Ensuring data is supplied for preparation of annual accounts within agreed timescales.

### 3. Financial oversight

- 3.1. The Trust takes full responsibility for its financial affairs and uses resources to maximise pupils' outcomes.
- 3.2. The board of trustees meets at least three times a year.
- 3.3. The Finance & audit committee meets at least three times a year.
- 3.4. Where the board of trustees meets less than six times a year, it will explain in its governance statement how effective oversight of funds was maintained with fewer meetings.
- 3.5. Constituent academies joining the Trust will be asked to complete a financial management and governance self-assessment.

### 4. Budget planning, management and monitoring

- 4.1. The Financial procedures manual details the budget planning process, which follows an annual planning cycle and consists of the following four phases:
  - Planning
  - Budget setting
  - Monitoring



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- Review

A balanced budget for the forthcoming financial year will be approved by the board of trustees, and this approval will be minuted.

The board of trustees will notify the ESFA within 14 calendar days of proposing to set a deficit revenue budget.

- 4.2. A continuous review of the aims and priorities of the strategy will be undertaken based on the monitoring and analysis of performance.
- 4.3. The Office Manager/Bursar is responsible for monitoring income and expenditure in their academy throughout the year.
- 4.4. A three-year budget forecast will be prepared when the budget for the current financial year is being set.
- 4.5. The CFO will prepare monthly management accounts, setting out the Trust's financial performance and position and including an income and expenditure account, variation to budget report, cash flows and balance sheet. The accounts will be shared with the chair of trustees every month and with other trustees six times a year.
- 4.6. The board of trustees will consider the management accounts when it meets and will ensure appropriate action is being taken to maintain financial viability.
- 4.7. The board of trustees will select key financial performance indicators and measure its budgetary performance against these regularly.
- 4.8. Any potential overspend against the budget will be raised by the Academy with the CFO before receiving approval.
- 4.9. The monitoring process will be effective and timely in highlighting variances in the budget so that differences can be investigated, and action taken where appropriate.
- 4.10. The finance committee will continually monitor the quality of the financial information presented to them to ensure that what is provided remains appropriate, particularly in terms of its timing, level of detail and narrative.
- 4.11. The trust will submit the following returns to the ESFA:
  - A budget forecast return outturn (May)
  - A three-year budget forecast return (July)

The returns will be approved by the board of trustees before submission to the ESFA.



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- 4.12. Where the board of trustees has concerns about the trust's financial performance, it will act quickly to ensure the trust has adequate financial skills in place and consider whether additional financial reporting is required.
  - 4.13. **[New]** The board of trustees should challenge pupil number estimates as these underpin revenue projections, and review these termly.
  - 4.14. **[New]** Boards are encouraged to take 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.
  - 4.15. **[New]** All trusts must complete the School resource management self-assessment tool and submit their completed checklist to ESFA by the specified annual deadline.

## 5. Cash management

- 5.1. The trust has robust procedures in place to manage its cash position and will ensure that the Trust has sufficient funds available to cover day-to-day operations and will avoid becoming overdrawn.
- 5.2. If significant balances can be foreseen, steps will be taken to invest the surplus funds.
- 5.3. All instruments authorising withdrawal from any of the Trust's bank accounts and use of debit cards will bear authorising signatures/electronic signatures in line with the scheme of delegation.
- 5.4. The financial scheme of delegation provides for the maximum amount of petty cash be held and maximum amount of payments. Each school is responsible for the management of petty cash according to the financial procedures manual. Reimbursements will be made on a weekly basis.
- 5.5. **[New]** 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.

## 6. Purchasing, procurement and returns

- 6.1. All academies within the Trust will act in accordance with the Trust's Tendering and Procurement Policy and the Scheme of Delegation.
- 6.2. An accepted tender will be the one that is economically most advantageous, unless it can be demonstrated that this is not the best option for the Trust and other factors outweigh any monetary savings.



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- 6.3. To maintain integrity concerning the use of public funds, the following general principles will be adhered to:
    - Probity – it must be demonstrable that there is no corruption or private gain involved in the contractual relationships of the Trust.
    - Accountability – the Trust is publicly accountable for its expenditure and the conduct of its affairs.
    - Fairness – all tenders dealt with by the Trust are done so fairly and equally.
  - 6.4. When preparing for tender, full consideration will be given to the objectives of the project, the overall requirements regarding the technical skills necessary and after sales service requirements.
  - 6.5. The tender evaluation process will involve at least two people who will disclose any conflicts of interest.
  - 6.6. The Trust will aim to achieve the best possible value for money for all its purchases, ensuring that services are delivered in the most economical, efficient and effective way.
  - 6.7. **[New]** The trust's funds must not be used to purchase alcohol for consumption, except where it is to be used in religious services.

## 7. Income and expenditure

- 7.1. The main source of income for the Trust and its academies is through the grants received from the ESFA.
- 7.2. When allocating funding, the board of trustees will consider the funding needs and allocations of each academy within the Trust. The Central Funds Policy will be reviewed annually and will provide the basis for allocation of a % levy on aspects of GAG income to the central Trust.
- 7.3. Headteachers of constituent academies can appeal any funding allocation decisions to the board of trustees. If, after this appeal, the situation is not resolved, the headteacher can make an appeal to the ESFA.
- 7.4. The CFO monitors the receipt of grants.
- 7.5. The Academies collect income from parents via a number of methods including, but not limited to, the following:
  - School meals
  - Trips and residential visits
  - Book bags and uniform
  - Additional nursery places
  - Breakfast and after school clubs



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- Reimbursements from various parties and activities

Additional forms of income to the academies are to be transparently disclosed to the CFO, accurately represented by the relevant academy in its accounts and shared with auditors.

Salaries form the largest element of expenditure. Salaries of all staff members will be reviewed on an annual basis by the headteacher, with effect from 1 September and no later than 31 October. Pay review recommendations processed according to the scheme of delegation. Business cases for material changes to staffing, current staffing bandings, additional roles and payments, including any new TLRs, new or extension of R&Rs are to be referred to the CEO.

- 7.6. The Office Manager/Bursar will keep an up-to-date record of the income and expenditure for their academy and ensure items are correctly posted to sage on a timely basis.
- 7.7. ParentPay is used where possible. For the few occasions where cash is held, it is banked on a timely basis.
- 7.8. The Office Manager/Bursar is responsible for preparing reconciliations between cash collections, banking and Sage entries.
- 7.9. Reconciliations will be prepared promptly following the banking of money and will be reviewed and certified by the CFO.

## 8. Investments

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



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## 9. Borrowing and debt

- 9.1. Approval will be obtained from the ESFA before borrowing from any source, where such borrowing will be repaid from grant monies or secured on assets funded by grant monies.
- 9.2. Credit cards will only be used for business expenditure.
- 9.3. Payment via credit card requires the same authorisation as that of cheques.
- 9.4. Credit card balances will be cleared before any interest accrues.
- 9.5. The trust will prepare and monitor financial plans to ensure ongoing financial health.
- 9.6. The trust will disclose aggregate figures for transactions of any amount and separate disclosure for individual transactions above £5,000 in its audited accounts for writing off debts and losses, as well as guarantees, letters of comfort and indemnities.

The Academies will manage debt and consult with the CFO in relation to any proposed write-off of debt. The CFO will then refer the write-off to the trustees, where necessary, according to the financial scheme of delegation.

## 10. Fixed assets

- 10.1. The trust will obtain approval from the ESFA for the following transactions:
  - Acquiring a freehold of land or buildings
  - Disposing of a freehold of land or buildings
  - Disposing of heritage assets, as defined in financial reporting standards, beyond any limits in the trust's funding agreement for the disposal of assets generally
- 10.2. Other than the transactions outlined above, the trust does not need the ESFA's approval to dispose of any other fixed assets.
- 10.3. Any disposal will maintain the principles of value for money, regularity and propriety.
- 10.4. **[New]** The trust must maintain a fixed asset register.

## 11. Leasing

- 11.1. For the purpose of this policy, there are two types of lease:
  - Finance lease – a form of borrowing
  - Operating leases – not a form of borrowing



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- 11.2. The trust will obtain approval from the ESFA for the following lease transactions:
- Taking up a finance lease on any class of asset for any duration from another party.
  - 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.
- 11.3. Any lease will maintain the principles of value for money, regularity and propriety.

## 12. Gifts

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

## 13. Related party transactions

- 13.1. The Trust will be even-handed in its relationships with related parties by ensuring:
- Compliance with its statutory duties to avoid conflicts of interest, benefits are not accepted from third parties, and interests in proposed transactions or arrangements are declared.
  - A register of interests has been completed.
  - No member of the Trust uses their connection to the Trust for personal gain.
  - All payments are permitted by the articles of association or by authority from the Charity Commission.
  - The Charity Commission approves payments to a trustee where there is a significant advantage to the academy.
  - Any payment provided satisfies 'at cost' requirements outlined in this policy.



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- 13.2. All transactions with related parties will be reported to the ESFA in advance of the transaction taking place. This applies to transactions made on or after 1 April 2019.
- 13.3. The board of trustees will ensure procedures pertaining to related party transactions are applied across the Trust.
- 13.4. The board of trustees and accounting officer will manage personal relationships with related parties to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with the [seven principles of public life](#).
- 13.5. The chair of trustees and the accounting officer will ensure their capacity to control and influence does not conflict with requirements.
- 13.6. The Trust recognises that some relationships with related parties may attract greater public scrutiny, such as the following:
- Transactions with individuals in a position of control and influence, including the chair of trustees and the accounting officer
  - Payments to organisations with a profit motive, as opposed to those in the public or voluntary sectors
  - Relationships with external auditors beyond their duty to deliver a statutory audit
- 13.7. The Trust will keep up-to-date records and make sufficient disclosures in their annual accounts to show accordance with the high standards of accountability and transparency required within the public sector.
- 13.8. The Trust will report all related party transactions made on or after 1 April 2019 to the ESFA in advance of the transaction taking place.
- 13.9. The Trust will obtain prior approval from the ESFA for related party transactions that are novel, contentious and/or repercussive, regardless of value, using the ESFA's [enquiry form](#).
- 13.10. The Trust will obtain approval from the ESFA using the [online form](#) for contracts and other agreements for the supply of goods or services to the Trust by a related party agreed on or after 1 April 2019, where any of the following limits apply:
- The contract exceeds £20,000
  - The contract, regardless of the value, would exceed £20,000 in the same financial year ending 31 August
  - The contract, regardless of the value, would exceed £20,000 individually or cumulatively with the related party in the same financial year ending 31 August



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## 14. Declared Register of interests

- 14.1. All business and pecuniary interests will be recorded on the Register of Interests, including:
- Directorships, partnerships and employments with businesses.
  - Trusteeships and governorships at other educational institutions and charities.
  - For each interest: the name of the business, the nature of the business, the nature of the interest and the date the interest began.
- 14.2. The Declared Register of Interests will identify any relevant material interests from close family relationships between the trust's members, trustees or local governors. Relevant material interests arising from close family relationships between these individuals and employees will also be identified.
- 14.3. The relevant business and pecuniary interests of members, trustees, local governors and the accounting officer will be published on the trust's website.
- 14.4. **[New]** Boards of trustees must keep their register of interests up-to-date at all times.

### 'At cost' requirements

- 14.5. 'At cost' requirements apply to contracts for goods and services from a related party agreed on or after 7 November 2013.
- 14.6. 'At cost' requirements apply to contracts for goods and services from a related party exceeding £2,500, cumulatively, in any one financial year. Where a contract takes the trust's cumulative annual total with the related party beyond £2,500, the element above £2,500 must be at no more than cost.
- 14.7. The trust will not pay more than 'cost' for goods or services provided by the following:
- Any member or trustee of the TRUST
  - Any individual or organisation related to a member or trustee of the trust, namely:
    - A relative of a member or trustee: defined as a close member of the family, or member of the same household, who may be expected to influence, or be influenced by, the person. This includes, but is not limited to, a child, parent, spouse or civil partner.



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- An individual or organisation conducting business in partnership with the member, trustee or a relative of the member or trustee.
  - A company in which a member or the relative of a member (taken separately or together), and/or a trustee or the relative of a trustee (taken separately or together), holds more than 20 percent of the share capital or is entitled to exercise more than 20 percent of the voting power at any general meeting of that company.
  - An organisation which is controlled by a member or the relative of a member (acting separately or together), and/or a trustee or the relative of a trustee (acting separately or together) – an organisation is controlled by an individual or organisation if that individual or organisation is able to secure that the affairs of the body are conducted in accordance with the individual's or organisation's wishes.
- Any individual or organisation given the right under the trust's articles of association to appoint a member or trustee of the trust, or any body connected to the individual or organisation.
  - Any individual or organisation recognised by the Secretary of State as a sponsor of the trust, or any body connected to the individual or organisation.

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

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

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

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

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



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- 14.10. The trust will ensure that any agreement with an individual or organisation referred to is procured through an open and fair process and is:
- Supported by a statement of assurance from the individual or organisation to the trust confirming their charges do not exceed the cost of the goods or services.
  - On the basis of an open book agreement including a requirement for the supplier to demonstrate clearly, if requested, that their charges do not exceed the cost of supply.
- 14.11. The cost will be the full cost of all the resources used in supplying the goods or services and will not include any profit. Full cost includes:
- All direct costs – the costs of any materials and labour used directly in producing the goods or services
  - Indirect costs – a proportionate and reasonable share of fixed and variable overheads

## 15. Payroll

- 15.1. Payroll forms the largest element of the school budget and it is, therefore, essential that financial procedures and internal controls in relation to payroll are properly implemented.
- 15.2. All payroll transactions relating to Trust staff, permanent or casual, will be processed through the payroll system. Payments for employment will not be made through any other mechanism.
- 15.3. Each academy within the Trust will act in accordance with the Whole School Pay Policy.
- 15.4. Payroll is notified of any staff absence using the EPM online portal.
- 15.5. The headteacher and Office Manager/Bursar are responsible for ensuring:
- Payments are made only to bona fide employees.
  - Payments are in accordance with individuals' conditions of employment.
  - Deductions, including income tax, national insurance and pensions, are properly administered.
  - Payments are made only in respect of services provided to the school.
  - Amendments to the payroll are properly processed.
- 15.6. The Office Manager/Bursar in each Academy, is responsible for keeping the staff personnel database up-to-date via the EPM portal.



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- 15.7. Each Academy will review its staffing requirements and any changes, including any pay awards to staff (whether standard or ad-hoc such as R&Rs, TLR awards) must be authorised in-line with the Trust Scheme of Delegation.
  - 15.8. Payroll is continuously monitored and reviewed by the CFO to ensure any changes have been implemented correctly and the information is up-to-date.
  - 15.9. Payslips will be produced on a monthly basis and delivered to employees via their own secure EPM portal.
  - 15.10. The CFO will ensure the payroll system is operating correctly.
  - 15.11. Under no circumstances must any employee make changes to their own HR record or payroll.

## 16. Executive pay

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



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- **Documentation** – the rationale behind the decision-making process, including whether the level of pay and benefits reflects value for money, is recorded and retained.
  - A basic presumption that executive pay and benefits should not increase at a faster rate than that of teachers, in individual years and over the longer term.
  - Understanding that inappropriate pay and benefits can be challenged by the ESFA, particularly in any instance of poor financial management of the Trust.
- 16.4. If the Trust's staff exceeds 250 employees, it is required to publish gender pay gap analysis on the Trust's website and on the government's reporting [website](https://www.gov.uk/report-gender-pay-gap-data) (<https://www.gov.uk/report-gender-pay-gap-data>). When staffing is below this level, the analysis will still be carried out annually and shared with trustees.
- 16.5. **[New]** 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.

## 17. Charging and remissions

- 17.1. Each academy will act in accordance with the over-arching Trust Charging and Remissions Policy and specific Academy Policy at all times.
- 17.2. Charging is permitted for education provided out of school hours, **unless** it is within the requirements of the national curriculum or to fulfil statutory duties relating to RE.

## 18. VAT procedures

- 18.1. The Trust is not VAT registered but is able to reclaim VAT on expenditure which supports the Trust's objects. Under this special VAT status, the Trust claims can legally be submitted within 4 years of the end of the month of supply for reclaim from HMRC.
- 18.2. VAT is reclaimed monthly as soon as possible following month end closure. Claims are submitted by the central Trust and academies reimbursed following receipt of claim by the Trust.



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- 18.3. The Office Manager/Bursar of Academies will proactively share income sources with the CFO, so that the CFO can verify if VAT registration continues to not be required. If the Trust is required to VAT register, then it will do so and the CFO will notify Trustees that it has been required to do so. The current threshold is £85,000 of sales that aren't exempt from VAT in a rolling 12 month period.
  - 18.4. Where invoices relate partly to business activity and partly to non-business activity, only the proportion of the VAT relating to the non-business activity will be reclaimed.
  - 18.5. The Trust will not recoup the VAT element of journeys in the UK or abroad which are identified in invoices unless the Trust is making substantial and direct cash subsidies for each pupil.

## 19. Risk management

- 19.1. The Trust must maintain a risk register and manage risks to ensure its effective operation, including contingency and business continuity planning.
- 19.2. The Trust will have adequate insurance cover in compliance with its legal obligations or will become a member of the academies [risk protection arrangement](#). The Trust will cooperate with risk management auditors and risk managers and will implement any reasonable recommendations made to them.

## 20. Special payments

- 20.1. For the purpose of this policy, special payments include:
  - Staff severance payments.
  - Compensation payments.
  - Ex gratia payments.
- 20.2. Where the Trust considers making a staff severance payment above statutory or contractual entitlements, the following factors will be considered prior to making the commitment:
  - The proposed payment is in the interest of the Trust
  - The payment is justified, based on legal assessment of the chances the Trust will successfully defend the case at employment tribunal
  - The level of settlement is less than the legal assessment of what the relevant body will award
- 20.3. **Under no circumstances** will the Trust make severance payments where the money could be interpreted as a reward for insubordination or failure.



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- 20.4. For severance payments greater than £50,000, the Trust will seek approval from the ESFA. The ESFA will refer the transaction to HM Treasury so the Trust will allow sufficient time for this to be considered.
  - 20.5. Value for money will be shown for all severance payments.
  - 20.6. Compensation payments will take account of the facts of the matter ensuring value for money is achieved.
  - 20.7. For compensation greater than £50,000, approval from the ESFA will be sought.
  - 20.8. The Trust will consider whether cases reveal concerns pertaining to the effectiveness of internal control.
  - 20.9. Ex gratia payments will always be referred to the ESFA for approval.

## 21. Annual accounts

- 21.1. The Trust will maintain accounting records and prepare an annual report and audited accounts in line with the Charity Commission's [Statement of Recommended Practice](#) and the ESFA's '[Academies Accounts Direction](#)'.
- 21.2. The audited accounts will be:
  - Submitted to the ESFA by 31 December each year
  - Published on the Trust's website by 31 January
  - Filed with Companies House in accordance with company law requirements, usually by 31 May
  - Provided to every member (under the Companies Act)
  - Provided to anyone who requests a copy
- 21.3. All copies of the accounting audit will be stored and filed securely, in line with the Trust's Data Protection Policy.

## 22. Auditing

- 22.1. The Trust will follow a tiered approach to internal control, risk management and assurance processes comprising:
  - Clearly communicated procedures, structures and training of staff.
  - Appropriate day-to-day supervision and checks by management.
  - Internal scrutiny overseen by an audit committee.
  - External audit and assurance.

### Internal scrutiny



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- 22.2. 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.
- 22.3. **[New]** Internal scrutiny will be conducted, directed by the Finance & audit committee, alongside the work of an external auditor, to provide independent assurance to the board that its financial and other controls, and risk management procedures, are operating effectively.
- 22.4. **[Updated]** The internal audit may no longer be performed by the external auditor. 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 trustee
  - 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.
- 22.5. Internal scrutiny will focus on:
- Evaluating the suitability of, and level of compliance with, financial and other controls, including assessing whether procedures are designed effectively and efficiently, and checking transactions to confirm whether agreed procedures have been followed.
  - Offering advice and insight to the board on how to address weaknesses in financial and other controls.
  - Ensuring all categories of risk are being adequately identified, reported and managed.
- 22.6. The programme of internal scrutiny will be covered by a scheme of work, driven and agreed by the audit committee and informed by risk. The CFO and CEO will advise and inform the programme of work.
- 22.7. Internal scrutiny will take account of output from other assurance providers to inform the programme of work.



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- 22.8. Independence in internal scrutiny will be achieved by establishing appropriate reporting lines whereby those carrying out checks report directly to a committee of the board.
- 22.9. Internal scrutiny will be kept under review and if any changes in size, complexity or risk profile become apparent, the Trust will consider whether its approach remains suitable.
- 22.10. The Trust will confirm, in its governance statement, the method(s) it uses for internal scrutiny and why these are used.
- 22.11. Findings arising from internal scrutiny will be used to inform the accounting officer's statement of regularity in the annual accounts.
- 22.12. Regular reports of the programme of work will be provided at each audit committee meeting, including recommendations to enhance financial and other controls and risk management.
- 22.13. **[Updated]** The Trust will submit its annual summary report of the areas reviewed, key findings, recommendations and conclusions to the ESFA each year when it submits its audited annual accounts. If requested, the Trust will also provide any other internal scrutiny reports. If the trust uses additional individuals or organisations where specialist non-financial knowledge is required, as permitted under paragraph 3.18, it should reflect their findings, recommendations and conclusions as part of the summary document submitted to ESFA.

### **External auditing**

- 22.14. The Trust will appoint an external auditor to certify whether its annual accounts present a true and fair view of the Trust's financial performance and position.
- 22.15. The contract with the external auditor will be in writing and be accompanied by a [letter of engagement](#) that only covers the details of the external audit including the requirements of the DfE.
- 22.16. The letter of engagement will also include details of the removal of external auditors, before the expiry of the term of office, in exceptional circumstances.
- 22.17. The board of trustees will notify the ESFA immediately of the removal or resignation of the auditors.
- 22.18. The accounting officer will produce a statement on regularity, propriety and compliance and this will be included in the Trust's annual accounts.



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- 22.19. The statement on regularity, propriety and compliance will include a responsibility to ensure that:
- There is efficient and effective use of resources in their charge.
  - Public money is spent for the purposes intended by parliament.
  - Appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under their control.
- 22.20. The Trust will respond promptly, reasonably and appropriately to any findings by the auditors.
- 22.21. The ESFA will be informed within 14 calendar days if the Trust appoints or terminates the contract of:
- An accounting officer or CFO, including their contact information.
  - A chair of trustees, including their contact information.
  - A member, trustee or governor, including their contact information.
  - A headteacher, including their contact information.
  - A chair of a local governing board, including their contact information.
  - A local governor.

## **23. Record keeping**

- 23.1. All financial transactions of the Trust are recorded by individual Academies and the central Trust.
- 23.2. The CFO is responsible for keeping up-to-date records of the central Trust's financial position.
- 23.3. The Office Manager/Bursar is responsible for keeping up-to-date records in relation to the finances of their academy.
- 23.4. A record will be kept of all the monies kept on the premises prior to banking, as well as the amount which is kept as petty cash.
- 23.5. All financial records will be kept securely in each academy's office. Access to files by the CFO and scanning of documents to the CFO electronically will be carried out as and when required.

## **24. Whistleblowing and fraud**

- 24.1. The Trust puts proportionate controls in place to mitigate the risks of fraud, theft and irregularity.
- 24.2. Where instances of fraud, theft or irregularity are suspected or identified the board of trustees will investigate it promptly and should any evidence of fraud be found, they will take appropriate action.



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- 24.3. In any instance of fraud, theft or irregularity whereby the amount defrauded comes to a total exceeding £5,000 in a financial year, the board of trustees will report it to the ESFA as soon as they become aware of it.
- 24.4. If a member of staff suspects their colleagues are involving them in Matters of fraud, they have a duty, as an employee of the Trust, to raise suspicions to a member of their SLT.
- 24.5. Reports of fraud will be treated in a fair and unbiased manner.
- 24.6. If the report of fraud is against a member of the SLT, the member of staff can go directly to the chair of trustees.
- 24.7. The SLT of the relevant academy within the Trust will be responsible for the initial enquiries of fraud, theft or irregularity – they will then pass on their findings to the board of trustees for further inspection.
- 24.8. Upon receiving the SLT's initial findings, the board of trustees will:
- Determine whether further investigation is warranted.
  - Determine the initial response to the alleged perpetrator when this is a member of school staff.
  - Determine who will carry out the investigation.
  - Determine which outside agencies will be involved.
  - Assess the risk of the fraud and the perpetrator to the academy.
  - Determine to whom day-to-day management of the response will be given.
  - Allocate responsibility for damage limitation action.
  - Determine the course of action to recover losses.
  - Determine the course of action to be taken against the perpetrator.
  - Evaluate the events which enabled the fraud to occur.
  - Ensure preventative action is taken to prevent recurrence.
  - Report any excessive fraud (over £5,000) to the ESFA.
- 24.9. The Trust's Whistleblowing Policy outlines the procedures to follow in the event of a report being made by a member of staff, as well as the appeals process and what can be done in the event of a whistleblower being treated unfairly.
- 24.10. The headteacher will ensure all their staff are aware of the Whistleblowing Policy, ensuring that they understand the process of reporting a concern and what they can expect once they have brought a concern to the attention of the academy.
- 24.11. All concerns raised by whistleblowers are responded to properly and fairly in line with the Whistleblowing Policy.



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24.12. **[New]** The trustees must agree the whistleblowing procedure and publish it on the trust's website.

24.13. **[New]** The trust should appoint at least one trustee and one member of staff who other staff can contact to report concerns.

## **25. Monitoring and review**

25.1. This policy will be reviewed on an annual basis and the financial procedures reviewed and updated accordingly. The operational financial procedures will be updated as and when necessary during the year.