

# HALL ORCHARD BARROW CE PRIMARY SCHOOL (ACADEMY)

## Financial Policy

### 1. INTRODUCTION

This Financial Policy shall govern the financial arrangements relating to all of Hall Orchard C of E Primary School's finances and accounts.

### 2. DELEGATED AUTHORITY

- As stipulated by the Academy Trust handbook, the Academy Funding Agreement and the Charity Commission requirements, the Academy Trust (AT) and Board of Trustees has overall responsibility for all financial matters, for ensuring that the academy is solvent, well run and operates as a going concern, for delivering the Academy's charitable outcomes and for ensuring the proper use of funds and that there are adequate operational controls in place for all financial processes within the Academy
- The Board of Trustees has in turn delegated the trustees' financial responsibilities for scrutiny and oversight to the Finance, Personnel and Premises Committee (referred to as the Finance Committee) comprising such members as agreed annually by the Board of Trustees . This committee will meet at least once per term and no less than three times a year, but should consider meeting more frequently if undergoing a period of change, and business will only be conducted when the meeting is quorate.
- The Headteacher is the Accounting Officer (AO) and shall have overall responsibility for implementing agreed policies and day to day control of the school's finances and accounts, and must adhere to the 'seven principles of public life'. In addition:
  - Whenever the headteacher receives a 'Dear Accounting officer' letter from the ESFA (usually on an annual basis) s/he must share this letter with all trustees, the chief financial officer and other members of the senior leadership team.
  - The Headteacher **must** advise the trustees in writing if, at any time, in his or her opinion, any action or policy under consideration by them is incompatible with the terms of the articles, funding agreement or the Academy Trust handbook. Similarly, the headteacher **must** advise the trustees in writing if they appear to be failing to act where required to do so by the terms and conditions of the handbook or funding agreement. Where trustees are minded to proceed, despite the advice of the headteacher, the headteacher **must** consider the reasons given for their decision. If, after considering those reasons the headteacher still considers that the action proposed by the board is in breach of the articles, the funding agreement or the handbook, the headteacher **must** notify the ESFA's accounting officer immediately, and in writing.
- The Bursar, who is the Chief Financial Officer (CFO), shall assist the Headteacher in implementing financial responsibilities and managing day to day procedures.
- The following staff are designated as authorisers of

(i) Salaries Documentation:

Headteacher  
Deputy Headteacher  
Chair of Trustees

(ii) Cheques

Chair of Trustees - A  
Chair of Finance Committee - A  
Headteacher - B  
Deputy Headteacher - B  
Bursar - B

(iii) Orders

Headteacher  
Deputy Headteacher

- The Board of Trustees shall appoint a Clerk

And on an annual basis

- Appoint External Auditors via a written letter of engagement in line with the requirements in the Academy Trust handbook
- Confirm the Appointment of a Responsible Officer/Internal Auditor assigned to check the Academy's internal controls
- Confirm the appointment of a Company Secretary
- Approve a Finance Policy, Day to Day Procedures and agree appropriate internal financial systems/processes
- Hold an Annual General meeting of the Academy Trust

The Board of Trustees should conduct an annual skills audit to ensure that trustees and staff with financial responsibilities have the appropriate experience, skills and qualifications for the role, address any gaps through recruitment, and/or induction, training and other development activities.

The Board of Trustees will remain accountable whenever trustees' financial responsibilities are delegated.

### **3. RESPONSIBILITIES OF THE ACADEMY TRUST TO SEEK ADVICE AND VALUE FOR MONEY**

In all decisions, irrespective of whether the Secretary of State's approval is required, the academy should:

- Obtain relevant professional advice where appropriate. This includes speaking with their external auditors where necessary;
- Ensure that the decision represents value for money, and could be justified as such, in line with the Value for Money Statement agreed annually by the Board of Trustees.

### **4. SCHEME OF DELEGATION**

The Board of Trustees should approve a written scheme of delegation of financial powers on an annual basis

## **5. BUDGET PREPARATION**

The school's budget timetable for each financial year shall be as follows:

### Autumn Term

- Approve an Outturn Statement and Carry Forward figures
- Receive Year-end report and Audited Annual Accounts from external Auditors and ensure these disclose all transactions and payments specifically identified for disclosure by the Academy Trust handbook
- Submit a Financial Statement to ESFA
- Agree staffing requirements
- Audited Accounts to be sent to Companies House
- Annual Trustees Reports for Year End to be prepared and submitted
- Review pupil number projections

### Spring / Summer Term

- Consider draft budget allocations and school priorities for forthcoming year in line with the School Development Plan
- Agree an annual balanced budget and recommend to FGB for minuted approval
- Forecast Pupil Premium and other specific funding allocations
- The Headteacher shall inform the Trustees and the Education Funding Agency of the school's revenue budget. This information should be supplied by the beginning of the financial year and updated for changes as necessary.
- The Headteacher shall ensure that the detailed costings are prepared and submit them for approval to the Finance Committee at least one a term.
- The Board of Trustees 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
- Forecast 3 Year Projections
- Review pupil number projections

## **6. BUDGET CONTROL**

### **6.1 Management Accounts:**

- The trust will prepare management accounts monthly comprising an income and expenditure account, a variance to (restated) budget report, cash flows and a balance sheet. Managers must take appropriate action to ensure ongoing viability. These will be published on the trustees portal monthly.
- The Board must address any variances to budget of actual income and expenditure and ensure appropriate action is being taken. The Board must also select key financial performance indicators and measure its performance against them regularly.
- The Board of Trustees shall decide how to use the budgets within the cash limit allocated. The Headteacher will be responsible for the control of spending against budgets. A commitment accounting system should be in place to monitor current commitments and liabilities.
- All plans and budgets should be regularly reviewed during the year and all significant changes will require the approval of the Finance Committee.

- Financial returns will be submitted to the ESFA as required. A bank reconciliation should be prepared as soon as possible after the weekly bank statements have been received.. A VAT reconciliation and VAT return should be completed as soon as possible after the month end. Cashflow statements should be updated monthly, reconciled and reported to the Board of Trustees. These returns should be prepared by the Bursar (CFO) and certified by the Headteacher.
- Budget holders should receive a SIMS financial transaction report periodically
- The Academy's annual accounts must be published on the School's website by the end of January following the financial year to which the accounts relate.

## **6.2 Borrowing**

- The Trustees must seek approval from the Secretary of State for short/medium/long term loans in accordance with the Academy's Funding agreement and Academy Trust handbook.
- The Academy may operate a credit card for business use only so long as no interest charges are incurred

## **6.3 Budget Deficit**

- Trustees must take appropriate action to ensure a balanced budget.
- If the school's revenue spend falls outside the budget plan submitted to the Trustees, corrective action must be taken where possible and if a deficit arises, the Headteacher will formally make the Education Funding Agency (ESFA) aware of the school's financial position as soon as practicable, and in line with the requirements in the Academy Trust handbook.
- The ESFA have the power to serve the Academy with a *Financial Notice to Improve* if they have concerns about financial management or governance in the Academy.

## **6.4 Non-routine Activities, Novel and Contentious transactions**

- From time to time the school may find it needs to perform transactions which are outside the usual planned range of activities including:
  - write-offs of unrecoverable debts or overpayments;
  - recognising losses of stocks or other assets;
  - special payments (transactions outside the usual planned range);
  - taking on liabilities by issuing specific guarantees, or providing a letter of comfort; or providing indemnities; and
  - gifts or hospitality received or given.
- All such activities should be dealt with in line with the requirements in this policy and in the Academy Trust handbook

- For any novel or contentious transactions with related parties, the Academy will obtain prior approval in advance from the ESFA, in line with the requirements in the Academy Trust handbook.
- The Academy will ensure that all ex gratia transactions will be referred to the ESFA for prior authorisation, in accordance with the Funding Agreement and in line with the requirements in the Academy Trust handbook.

#### **6.4.1 Liabilities and write-offs**

- The Finance Committee may perform the following financial transactions up to the limits set out in the Academy Trust handbook: writing off debts and losses (including any uncollected fines); entering into guarantees, indemnities or letters of comfort (excluding those relating to borrowing by the Academy Trust which specifically requires the prior approval of the ESFA). The Headteacher may authorise debt write offs of under £100 however these will need to be reported at the next Finance Committee meeting.
- Beyond these limits the Finance Committee must seek and obtain explicit and prior approval of the Secretary of State (through the ESFA) to the transaction.
- Before any such transactions are performed, the Finance Committee should consider the principles set out in the Academy Trust handbook, such as careful appraisal of the facts, including whether all reasonable action has been taken to recover losses and to avoid unnecessary risk and ensure value for money is achieved
- The Headteacher may agree to give assets bought for a proper purpose, but which are no longer needed for the conduct of its business, to a charity, up to a maximum value of £1,000 per single donation. Residual value of assets is determined by the greater of either the written down value or market value.

#### **6.4.2 Staff severance and compensation payments**

- If the Finance Committee is considering making a staff severance or compensation payment above the contractual entitlement, it must consider the principles in the Academy Trust handbook.
- Where the academy is considering making a special staff severance payment or compensation payment above the contractual entitlement and of £50,000 or more, prior approval will need to be sought from HM Treasury, via the ESFA, before any such payment can be made. In this situation the Headteacher/ Chair of Trustees should speak to their ESFA contact at the earliest opportunity to discuss the matter.
- The Academy trusts 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.

## **7. VIREMENTS**

- Substantial virements shall be approved and minuted by the Finance Committee and should be within the agreed criteria and financial limits.
- All virements exceeding £5,000 shall require prior approval from the Finance Committee (subject to note below on emergency purchases).

- The Headteacher is given delegated power to vire amounts not exceeding £5,000 from one budget to another and shall seek approval from the Finance Committee retrospectively.

## **8. AUTHORITY TO INCUR EXPENDITURE**

- The Headteacher is given delegated power to incur expenditure up to £10,000 on any single items or issue within the financial year, so long as there are funds available in the budget.
- All expenditure exceeding £10,000 shall require the prior approval of the Finance Committee. In some emergency circumstances it may not be possible to gain Finance Committee prior to raising a purchase order, eg an emergency repair. In these circumstances, these amounts need to be reported to Finance Committee as soon as possible.
- All expenditure must be authorised by the designated staff.
- Payment of invoices should be made through the school local payments system and from the school bank account.

## **9. LOCAL PAYMENTS SYSTEMS**

- The School Bursar shall be responsible for making all payments on behalf of the school, in line with the School's Day to Day procedures.
- All invoices passed for payment must be properly certified and evidenced by the relevant designated staff – payments shall be made on original invoices only.
- Before certifying an invoice for payment, designated staff must be satisfied that for the goods and services delivered, an acceptable level of quality and value for money has been met.
- The Headteacher should carry out selective invoice checking termly to ensure that all sums which the designated staff have certified for payment were legally and properly payable.
- The Board of Trustees/Finance Committee is permitted to use the Academy's budget share (GAG) to meet the cost of capital expenditure on the school premises

## **10. ORDERS FOR GOODS AND SERVICES**

- Staff may order goods and services from whatever reputable source they see fit, but will be expected to take into account quality and value for money.

An official order on the school's official order form will be used for supply of educational goods and services where practical. Exceptions include food orders, some maintenance items and purchases made on the school credit card (these are authorised in advance by the head teacher).

- Copies of all orders should be retained in the file 'Copies of Official Orders'.

- Where ESPO is used for procurement of goods and services, it is not necessary to seek alternative tenders.
- Three written quotes should normally be obtained for all goods and services between £7,500 and £20,000 unless no other equivalent goods or services are available, or where Trustees have previously committed themselves to a particular service/supplier, brand/type of goods. If it is not possible or practical to obtain three written quotes this must be documented and reported to the next Finance Committee meeting.
- For projects, goods and services expected to cost in excess of £20,000, three written quotes or tenders will normally be obtained. If this is not possible or practical prior approval should be received from the Finance Committee.
- Where tenders have been obtained, a tender form will be completed showing those invited to tender, those tendering, the successful tender and the reasons for accepting the tender (in those circumstances where the cheapest tender is not accepted). (*Refer to the relevant section on the acquisition of assets for more detail*)
- All purchases estimated to exceed £50,000 should be put out to formal tender. Any proposal not to put a contract of over £50,000 out to formal tender should be authorised by the Finance Committee. (Advice should be sought from the Clerk to the Trustees or appropriate advisor in relation to reporting requirements, to ensure commercial confidentiality.)
- Goods or services provided by contractors within a Local Authority, ESFA or other compliant Framework Agreement, will not be subject to the school's own/separate procurement process, but the decision to award the contract will require oversight and approval by the Finance committee in line with the competition requirements as appropriate to the relevant suppliers within the Framework.
- If entering into high-value contracts, trustees and staff should also be aware of and take account of EC procurement regulations, in line with the thresholds specified by the Academy Trust handbook

## **11. CASH ACCOUNTS**

Petty Cash can be used to pay for ad hoc items under the value of £10.00 - anything over that value will be paid by BACS or cheque.

## **12. TRAVEL AND SUBSISTENCE**

- Payment shall be made in accordance with the National Scheme/school rate, as appropriate.
- Car user allowances, both casual and essential, will be paid directly by the Academy Trust.

## **13. SALARIES, WAGES AND PENSIONS**

- The Board of Trustees is responsible for the salary and wages costs of all teaching and support staff employed to work at the school.

- The contract of employment is between the employee and the Academy Trust.
- The School Bursar must ensure that the school provides the necessary information and returns to its chosen payroll provider to effectively administer the payroll and related staffing procedures.
- The School Bursar must ensure that senior employees' payroll arrangements fully meet their tax obligations as required by the Academy Trust handbook.

## **14. CONTRACTS**

- The Academy Trust will enter into contracts for the provision of goods, services, materials and work within the procedures and principles laid down in the Academy Trust handbook, and where necessary, having obtained the consent of the Diocese in line with the Supplemental Agreement.

## **15. INCOME**

- Income should be collected in advance wherever possible to improve cash flow.
- The School Bursar and Finance team must maintain records of all income received/due; acknowledge receipt of income; and bank all monies promptly and intact into the School's bank account.
- The Trustees shall approve a charging policy for all income generation.
- The Bursar will reconcile the produce a report of debtors each month and this will be reviewed by the Headteacher.

## **16. OFFERS OF DONATIONS**

- Offers of donations made to individual trustees or members of staff should be referred to the Headteacher in the first instance. The Headteacher will determine whether the donation is consistent with the Academy Trust's Objects as defined in its Articles of Association. For donations that are equal to, or greater than, £5,000 in value the Headteacher will consult with the Chair of Trustees before making a decision about accepting the donation.
- All donors should be requested, for audit purposes, to put in writing details of their gift, the fact it has no conditions attached (where relevant), their estimation of the value of the gift and when the academy will receive the gift.
- Details of donations over £100 received in the year will be presented to Finance Committee as part of the review of the Annual Accounts.
- Where there are conditions attached, it is unlikely the amounts can be recorded as donations of an unrestricted nature. Also, discounted amounts cannot be treated as charitable donations, but must be shown as a reduction on costs.

### **16.1 Reasons for declining donations**

- An offer of a donation will be declined if one of the following conditions exist:



- The donation has conditions attached that are inconsistent with the Academy Trusts Objects;
  - The donation has conditions attached that are inconsistent with procurement best practice or legislation;
  - The donation has conditions attached that are inconsistent with the principle that a donation is a contribution that is voluntarily transferred by one person to another without compensation or benefit flowing from the giver to the receiver.
  - The source of the donation or its intended purpose are inconsistent with the characteristics of the Academy as laid out in the Articles of Association and/or Funding Agreement or are likely, in the view of the Headteacher, to draw adverse publicity for the Academy or bring it into disrepute.
- Where the Headteacher is in doubt as to the suitability of a donation, the matter will be brought to the Finance Committee for consideration.

## 16.2 Accounting for donations

- Donations made in cash will be banked in the 'School Budget' account in the first place. The Accounting System will register receipt of donations, as if it was into a separate bank account, so that all receipts of donations and the subsequent transfer of these to other bank accounts, or their expenditure, can be identified and reported.
- Gifts of cash are the easiest to value. However a proportion of contributions may be in the form of **gifts in kind (ie assets)**.
- Gifts in kind will be included in the academy's accounts (within the Statement of Financial Activities) in the accounting period in which they are receivable. The value placed on gifts in kind will be either a reasonable estimate of their gross value to the Academy or (less likely) the amount actually realised as in the case of second-hand goods.

## 17. BANK ACCOUNTS

- The Finance Committee shall authorise the opening and closing of all bank accounts.
- Payments from the Bank Account may be made by Cheque or Faster Payments generated by a BACS run in the accounting software
- The following procedures must be followed for cheque payments:
  - Dual signatories required for all cheque payments, amounts of £5,000 and over require an A and B signatory
  - Cheque signatories are:  
Headteacher, Deputy Headteacher, Bursar - B signatories  
and Chair of Trustees, Chair of Finance Committee – A signatories
- The Finance Officer and the Bursar will be designated BACS preparers. The Bursar and the Head Teacher will be designated BACS authorisers. A BACS run must not be prepared and authorised by the same person.
- The following procedures must be followed for BACS payments:
  - BACS runs will be prepared and signed by the preparer

- BACS runs will be checked and signed by 2 signatories in line with the bank mandate, with BACS runs containing payments above £5000 signed by an A and B signatory
  - The BACS run will be authorised electronically by either the Bursar or Head Teacher
- The School Bursar shall ensure that bank statements are received weekly and reconciled to accounting records
  - The School Bursar shall investigate and resolve all discrepancies
  - The School Bursar shall be responsible for cheque ordering and custody of unused cheques
- Under no circumstances shall private cheques, money or postal orders be cashed through the school disbursement account or voluntary funds.
- In no case shall money, cheques, etc. belonging to the school be paid into a private bank account.
- The School Bursar must ensure, where possible, that the total amount of cash, including disbursements and voluntary funds, held on the premises shall not exceed £1000.
- The following accounts may be held:
    - Business current account
    - Deposit/investment accounts at FCA regulated banks or building societies
    - Business credit card provided the balance is paid in full and no interest is charged

## 18. CARRY OVER OF SURPLUS

If the Academy has a surplus General Annual Grant (GAG), at the 31<sup>st</sup> August, the Board of Trustees should agree a clear plan for how it will be used to benefit the pupils - for example a long-term capital project.

## 19. TRUST FUNDS AND INVESTMENT

- The Board of Trustees may invest to further the Academy's charitable aims, but **must** ensure that investment risk is properly managed. When considering making an investment the 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; and
  - review the academy's investments and investment policy regularly.
- Trustees should ensure the Academy follows the Charity Commission's guidance: CC14 *Charities and investment matters: A guide for trustees*. ESFA prior approval **must** be obtained for investment transactions which are novel and/or contentious.

- The Finance Committee shall authorise all investment of money under its control. The committee must invest the funds of the Academy only in accordance with their powers of investment as determined by the Academy's Funding Agreement and Charity Commission and Department for Education guidance. Before the Academy Trust makes any investment, the Board of Trustees must agree an investment policy
- Investment of Building Society and Bank Deposit Accounts shall be in the name of the Academy Trust.

## 20. ACQUISITION AND DISPOSAL OF ASSETS

- The Headteacher must ensure that all the academy trust's property is under the control of the trustees, and measures are in place to prevent losses or misuse, including maintenance of fixed asset registers
- The Academy **must** seek and obtain prior written approval from ESFA for the following transactions:
  - acquiring a freehold of land or buildings;
  - disposing of a freehold of land or buildings; and
  - disposing of heritage assets beyond any limits set out in the trust's funding agreement in respect of the disposal of assets generally. Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture, as defined in applicable financial reporting standards.
- Other than land, buildings and heritage assets, the academy can dispose of any other fixed asset without the approval of ESFA.
- The Finance committee **must** ensure that any disposal achieves the best price that can reasonably be obtained, and maintains the principles of regularity, propriety and value for money. This can involve public sale where the assets have a residual value.
- When looking to procure assets, the School should initially consider "lease or buy" arrangements. Often, substantial savings can be obtained through buying equipment outright and this option should be fully appraised beforehand.
- School staff should seek to benchmark equipment costs against ESPO as a matter of course. ESPO has compiled its contracts/agreements through a process of competitive tendering to obtain value-for-money.
- It is not School policy to purchase assets from casual sales personnel without a full option-appraisal having taken place beforehand. (*Refer to earlier section regarding the Order Process*)

## 21 . LEASING AND TENANCY AGREEMENTS

- The Academy does not require the ESFA's approval for operating leases except for transactions relating to land or buildings.

- For any necessary Asset sales, leases and tenancy agreements relating to land or buildings, the academy must, in line with the requirements in the Academy Trust handbook and having sought consent from the Diocese in line with the Supplemental Agreement, seek and obtain explicit and prior approval from the ESFA, before:
  - taking up a finance lease on any class of asset for any duration from another party (borrowing);
  - taking up a leasehold or tenancy agreement on land or buildings from another party for a lease term of seven years or more years; and
  - granting a leasehold interest, including a tenancy agreement, of any duration, on land or buildings to another party.
- entering into any freehold sales or purchases;
- Lease agreements for a period exceeding three years should not be entered into without the prior approval of the Finance Committee and seeking advice from the Auditors.
- Only the Headteacher/Chair of Trustees/Chair of Finance Committee is authorised to sign lease agreements on behalf of the Academy Trust.

## **22. INSURANCE**

- Insurance will be required for premises and equipment, school trips, plus Board of Trustees and third party liabilities (where delegation taken)
- The Finance Committee must ensure that there is adequate insurance cover in line with the Academy Trust handbook.
- The School Budget will meet the excess from insurance claims or any losses not covered by insurance.
- The Headteacher shall ensure that the school's insurers are informed of all accidents, losses and incidents that may give rise to an insurance claim. The School Business Manager will maintain a register of all accidents, losses and incidents.

## **23. HEALTH AND SAFETY**

- The Trustees should approve a Health and Safety policy. Trustees and staff should be aware of the existence of the policy and how to access the procedures.
- The headteacher must ensure that all staff are aware of the expectation on them to comply with the Health and Safety regulations.
- The Headteacher will report significant injuries to all persons, including staff/parents/pupils/visitors to the appropriate enforcing authorities (HSE, LA etc.) and to the H&S designated trustee.

## **24. PROTECTION OF PRIVATE PROPERTY**

The Headteacher must inform all relevant persons that all private property taken onto the school premises will be at the owner's risk.

## 25. INVENTORIES / STOCK & ASSET MANAGEMENT AND RISK MANAGEMENT

- The Headteacher is responsible for the management of the school's assets and will maintain a record of stock receipts and issues.
- The Bursar must maintain an inventory of all portable non-consumable items purchased priced over £400. The inventory must be regularly updated in respect of purchases and disposals. The Headteacher should ensure that items that become obsolete or surplus to the school's requirements are disposed of economically.
- The Headteacher shall ensure that stock takes of inventories and stores are undertaken annually in Spring term and certified by him/her. Trustees will spot check a sample of items on an annual basis.
- The Trustees shall ensure that the Academy maintains an Asset Management Register and Policy.
- The Trustees **must** recognise, manage and track present and future risks arising from its operations, including a likelihood and impact assessment. The trustees shall ensure that the Academy maintains a risk register

## 26. SECURITY

The Headteacher is responsible for the day to day security of the school's premises and equipment.

## 27 FINANCIAL IRREGULARITIES

- The Headteacher shall inform the Trustees of any circumstances where a financial irregularity is suspected.
- The Board of Trustees accepts that a suspected financial irregularity exists when:
  - Standing Orders, Financial Policy, Academy Funding Agreement or the Academy Trust handbooks are not complied with.
  - An employee or a trustee gains unauthorised financial benefit from his/her association with the Academy.
- The headteacher or Board of Trustees **must** notify 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 academy financial year. Any unusual or systematic fraud, regardless of value, **must** also be reported.
- The following information is required:
  - full details of the event(s) with dates;
  - the financial value of the loss;
  - The measures taken by the trust to prevent recurrence;
  - whether the matter was referred to the police (and why if not); and
  - whether insurance cover or the risk protection arrangements have offset any loss.

## **28.AUDIT**

- The Trustees must appoint on an annual basis external auditors via a written letter of appointment in line with the requirements in the Academy Trust handbook
- The role of Audit Committee will be covered within the Finance Committee as appointed by the Board. Employers should not participate as members when audit matters are discussed.
  
- The Audit Committee must direct 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.
  
- The Audit Committee will agree the programme of work annually referencing the risk register and will agree who will perform the work from either:
  - the appointment of an internal audit service (either in-house, bought-in or provided by a sponsor)
  - the performance of a supplementary programme of work by the trust's external auditor
  - the appointment of a non-employed trustee with an appropriate level of qualifications and/or experience to check the trust's internal controls, who neither charges, nor is paid by the trust for their work. This appointment is not mandatory but is one way trusts are able to conduct their internal checks
  - a peer review, with the work being performed by the chief financial officer, or a suitably qualified or experienced member of the finance team, from another academy trust, as an independent
  
- The Headteacher must ensure that the auditors and Responsible Officer/Internal Auditors are allowed access to staff, premises and documents, as necessary.
  
- The Audit Committee shall discuss all audit reports and, where appropriate, agree and track the progress of the implementation of any recommendations with the Headteacher.
  
- The Audit Committee must 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

## **29. DOCUMENT RETENTION**

The Headteacher shall ensure that documents are retained for periods in accordance with the requirements of the District Auditor, the Inland Revenue and Customs and Excise and the Academy Trust handbook

## **30. GIFTS AND HOSPITALITY OFFERED BY SUPPLIERS TO INDIVIDUAL MEMBERS OF STAFF**

Ordinarily such gifts should be rejected, unless they are of negligible value (e.g. diaries, calendars etc.). However, any gifts or hospitality in excess of £25 should be reported to the Headteacher in order to protect the Academy and the individual receiving the gift. This is particularly important where the person receiving the gift is a budget holder, has the ability to influence purchasing decisions or regularly receives reimbursement from the Academy for items other than travel expenses.

### **31. REGISTER OF BUSINESS INTERESTS AND MANAGEMENT OF RELATED PARTY RELATIONSHIPS**

- A register of business interests and related party relationships must be maintained by the school - to be completed by all Trustees and all those staff with significant financial responsibilities. This will be staff who are cheque signatories, finance staff and those members of staff with specific budgetary responsibilities (e.g. , curriculum area leaders). Entries in the register should be kept up-to-date and, in all instances, be reviewed and amended (where relevant) on at least an annual basis. This annual review can be evidenced simply by trustees and staff re-signing and dating existing declaration forms, making any amendments as necessary. The Register must also identify close family relationships between members or trustees, and between member or trustees and the trusts employees.
- All trustees and staff (but especially the chair of trustees and Headteacher) must manage their relationships with related parties to avoid both real and perceived conflicts of interest in line with the Academy's approved policy and the requirements in the Academy Trust handbook
- The Board of Trustees will approve and review on an annual basis a policy on the Management of Conflicts of Interest and Related Party Relationships
- For any relationships with related parties that may attract greater public scrutiny, such as:
  - transactions with individuals in a position of control and influence (including the chair and Headteacher)
  - payments to commercial organisations which have a profit motive, as opposed to those in the voluntary sector; and
  - relationships with external auditors that go beyond their duty to deliver a statutory audit.
- The trustees should maintain sufficient records, and make sufficient disclosures in their annual accounts, to evidence that transactions with these parties, and all other related parties, have been conducted in accordance with the high standards of accountability and transparency required within the public sector.
- The Academy will obtain prior approval in advance of all transactions with related parties that are novel or contentious and will report all transactions with related parties to EFSA in advance of the transaction taking place, using ESFA's on-line form.
- The trustees must ensure that no payments are made to any trustee by the Academy unless such payments are permitted by the articles, or by express authority from the Charity Commission (which will be given only in exceptional circumstances) and comply with the terms of any relevant agreement entered into with the Secretary of State.

## 32. NOT FOR PROFIT PRINCIPLES

- The Academy/Board of Trustees will pay no more than 'cost' for goods or services above the *de minimis* threshold of £2500 provided to it by individuals or organisations related to the academy trust ('services' do not include services provided under a contract of employment).
- The following persons and organisations are considered to be 'related' :
  - any member or trustee of the academy trust (this includes trustees);
  - any individual or organisation related to a member or trustee of the academy trust. (See the handbook for list of 'related persons');
  - any individual or organisation that is given the right under the trust's articles of association to appoint a member or trustee of the academy trust (this includes the diocese/parish church); or anybody related to such individual or organisation;
  - any individual or organisation recognised by the Secretary of State as a sponsor of the academy trust; or anybody related to such individual or organisation (See the handbook for list of 'related' persons)
- The Board of Trustees must ensure that any agreement with the 'related' individuals or organisations to supply goods or services above the *de minimis* threshold to the Academy is properly procured and is:
  - supported by a statement of assurance from that individual or organisation to the Academy confirming that their charges do not exceed the cost of the goods or services; and
  - on the basis of an open book agreement including a requirement for the supplier to demonstrate clearly, if requested, that their charges do not exceed the cost of supply.
- For these purposes the cost will be the 'full cost' of all the resources used in supplying the goods or services. Full cost includes:
  - all direct costs (the costs of any materials and labour used directly in producing the goods or services); and
  - indirect costs (comprising a proportionate and reasonable share of fixed and variable overheads).
- Full cost must not include an element of profit.
- Should any staff/personnel of the 'related' individuals or organisations be based in, or work from, the premises of the Academy the individual or organisation and the academy trust must agree an appropriate sum to be paid to the Academy for such use/occupation of the premises, save to the extent that they are carrying out work for the Academy .
- Additionally:

Charging for overheads: Overhead charges should be proportionate to the amount of work being done for the Academy. For example, if 10% of the related supplier's activity is for the Academy then the Academy should pick up a maximum of 10% of the supplier's total overheads. However, if at the end of the year, the charges for overheads recouped by the supplier exceed the total paid for overheads by the supplier, the supplier is to be expected to reduce the charges to the Academy in the next financial year. This is to ensure the Academy is complying fully with the 'not for profit' principles by not paying



more than the proportionate sum for the services received, and the supplier is not drawing inadvertent profits; and

Services supplied by self employed consultants: Whilst a self employed consultant may not factor in specific profits' to their day rate, consultants will not be expected to charge the Academy the same as they would charge a customer in the commercial market. How much less than the market rate charged will be a matter for negotiation. The Academy must ensure this process is based on an understanding of market rates, and only enter into such a contract when satisfied that the agreed 'at cost' figure is reasonable and justifiable.

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

### **33. COMPUTER SYSTEMS AND DISASTER RECOVERY AND EMERGENCY CONTINGENCY PLANS**

- Computer systems used for school management should be protected by password security to ensure that only authorised staff have access. Passwords should be changed regularly at least once a term and updated for staff changes.
- The Headteacher should ensure that data is backed up regularly and that all back-ups are securely held in a fireproof location, preferably off-site.
- The Headteacher should establish a disaster recovery plan for approval by the Board of Trustees to ensure continuity of financial administration in the case of emergency.
- The Headteacher should ensure that systems are in place to safeguard school software and data against computer viruses. To prevent viruses being imported, only authorised software should be used.
- The Finance committee should ensure that the school has written descriptions of all its financial systems and procedures. These should be kept up to date and all appropriate staff should be trained in their use.
- The Headteacher should ensure that financial control is maintained in the absence of key personnel through staff training or by arranging job shadowing.

### **34. WHISTLE BLOWING POLICY**

The Trustees should approve a Whistleblowing Policy. Trustees and staff should be aware of the existence of the policy and how to access the procedures.

### **35. LETTINGS POLICY**

The Trustees should approve a Lettings Policy. Trustees and staff should be aware of the existence of the policy and how to access the procedures.

## **36. TRUSTEES EXPENSES POLICY**

The Trustees should approve a Trustees' Expenses Policy. Trustees should be aware of the existence of the policy and how to access the procedures.

## **37. CHARGES AND REMISSIONS POLICY**

- The Trustees should approve a Charges and Remissions Policy. Trustees and staff should be aware of the existence of the policy and how to access the procedures.
- Fees and charges should be determined in accordance with requirements in the Academy Trust handbook.
- The Finance committee should set fees for chargeable services at full cost, but can apply an additional rate of return when in a commercial environment. The standard approach should be to set charges to recover full costs. Cost should be calculated on an accruals basis, including overheads, depreciation (eg for start up or improvement costs) and the cost of capital.
- The Finance committee should ensure that the school neither profits at the expense of pupils nor makes a loss for the delegated budget to subsidise.

Approved by Full Board of Trustees: 20 September 2023