

**TRANSFORM TRUST**  
'Together we Achieve'



**Transform Multi Academy Trust**

# **Finance Policy Handbook**

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# **Transform Trust**

## **Finance Policy Handbook**

### **Contents**

- 1 Overview**
- 2 Organisation**
- 3 Accounting System**
- 4 Financial Planning**
- 5 Payroll**
- 6 Purchasing**
- 7 Income**
- 8 Cash Management**
- 9 Fixed Assets**
- 10 Risk Management**

## **1. Overview**

- 1.1** The purpose of this handbook is to ensure that the Academy Trust maintains and develops systems of financial control that conform with the requirements of statutory & regulatory authorities, as well as well established principles of good financial management and common sense. It is essential that these systems operate properly to meet the requirements of the Funding Agreement between Transform Trust, EFSA and the Department for Education; the Schemes of Delegation in force between Trust and individual Academy; the Articles of Association; the Academies Financial Handbook (published by EFSA);
- 1.2** Each Academy must comply with the principles of financial control outlined in the Academies Financial Handbook published by the EFSA. This handbook converts this into practical detailed information on the Academy's accounting procedures and should be read and absorbed by all staff interacting with the Trust's finances.
- 1.3** It is incumbent on Members, Directors, Staff and all parties engaged by or with the Trust to observe both the letter but also the spirit of the Trust Finance Policy. The Trust is responsible for public money and as such the duty of care is naturally set very high. Whenever in doubt and where this handbook does not specifically set out an appropriate approach, the highest principles should be observed to ensure the Trust is able to fully stand behind the approach taken by the decision maker.

## **2. Organisation**

- 2.1** Transform Trust is a Company limited by Guarantee, registered in England and Wales and is a Multi Academy Trust. The company has charitable status. At the time of writing, member Academies are:

Allenton Community Primary School  
Bulwell St Mary's C of E Primary School  
Burford Primary & Nursery School  
Breadsall Hill Top Primary School  
Brocklewood Primary & Nursery School  
Edale Rise Primary & Nursery School  
Highbank Primary & Nursery School  
Pear Tree Community Junior School  
Robert Shaw Primary & Nursery School  
Rosslyn Park Primary & Nursery School  
Sneinton Church of England Primary & Nursery School  
William Booth Primary and Nursery School  
Whitegate Primary and Nursery School

At the time of writing there are 7 Trust Board Directors:

Peter Munro (Chair)  
Rebecca Meredith (CEO)  
Vernon Lloyd  
Professor Toby Greany  
Roger Periam  
Alison Day  
Professor Qing Gu

**2.2** The Trust has defined the responsibilities of each person involved in the administration of both Trust level and individual Academy finances. The financial reporting structure is illustrated in the following bullet points:

### **2.3 The Trust Board**

2.3.1 The Trust Board has overall responsibility for the management and administration of the Academy Trust's finances. The Transform Trust Board is headed by a chair and the "Accounting Officer" is the designated CEO. It is the Trust's statutory responsibility to safeguard the assets of the company and to meet all requirements of the Companies Act. The main DfE prescribed responsibilities are set out in the Master Funding Agreement issued to Transform Trust by the DfE include:

- ensuring that educational grants are used for the purpose intended
- managing budgets to be balanced, and annual approval of those budgets
- approval and issuing of annual audited accounts to EFSA
- instructing & reviewing internal audit reports to ensure high internal rigour;
- appointment of Accounting Officer (or Chair), Finance Officer and external auditors

The Trust have a dedicated Audit & Finance Committee comprising of at least 2 Trustees that provide assurance over the suitability of, and compliance with, its financial systems and operation controls. The committee also considers risk, financial statements and budgets.

2.3.2 The Accounting Officer (or "Chair") is the Head of the Trust organisation. They are ultimately accountable for all Trust activity. As well as signing off Annual Accounts, and being first contact point for all external stakeholders, they are also required to submit to EFSA an annual statement indicating the Trust has secured value for money.

2.3.3 The Chief Finance Officer reports to the CEO and is responsible for the day-to-day Management of Trust finances across Transform central and individual Academies (in accordance with agreed Schemes of Delegation to individual Academies). They will ensure Annual Trust level Accounts are delivered in accordance with all statutory and regulatory bodies. They are responsible for budget setting at the Trust level, and ensuring an appropriate control environment exists across the Trust.

2.3.4 The Trust Board must operate within limits set out by EFSA:

2.3.4.1 writing off bad debts, or entering into guarantees, indemnities and letters of comfort – the lower of 1% of total annual income or £45k for individual items, or cumulatively 2.5% of total annual income (rises to 5% when 2 years unqualified annual accounts have been submitted). Anything above these limits requires approval from EFSA

2.3.4.2 severance payments made to staff are restricted to an assessment made of an Employment Tribunal award. Any amount >£50k compensation requires specific EFSA approval (note: this does not include any contractual amount eg, statutory redundancy which should not be included in this assessment)

2.3.4.3 entering a lease may require EFSA approval. Any finance lease (eg, hire purchase), any leasehold/tenancy agreement >7 years (eg, leasing premises), any granting of a lease on land – all require EFSA approval. This is NOT required for Photocopiers (ie, Operating leases) or any premises lease of 7 years or less

2.3.4.4 any fraud or irregularity >£5,000 must be reported to EFSA. The Trust is handling public funds and the standards expected within the Trust are suitably high. All examples of suspected irregularity or fraud will be investigated by the Chief Finance Officer and reported to Trust Board at the first available opportunity. If the Chief Finance Officer is in anyway implicated in the fraud, responsibility for the investigation will move to a Director

2.3.5 The Trust Directors will co-authorise any Academy expenditure >£100k as prescribed in each Academy's Scheme of Delegation (subject to any locally agreed variations in that Scheme of Delegation made by exception). Any expenditure >£10K up to £100K will be co-authorised by the Trust Executive Team.

2.3.6 All Trust expenditure will be authorised by at least 2 authorised signatories (at Trust Centre level this will be any name appearing on the bank mandate for Transform Trust's bank account)

2.3.7 All Trust Director expenses will be co-signed by the Chief Finance Officer or another Trust Director

## **2.4 The Local Governing Body**

2.4.1 Each Academy Local Governing Body has delegated responsibility for the administration of the Academy's finances from the Trust, as set out in the Academy's Scheme of Delegation with the Trust. The main responsibilities include:

- ensuring that income relating to the charitable objects of the Trust is used only for the purposes intended;
- approval of the annual budget;
- apportioning an amount of funding not exceeding 5% of total School Funding for supporting the activities of the Trust Centre;
- in consultation with Trust, appointment of the Headteacher

- considering reports from the Academy Finance Committee or equivalent body

2.4.2 The Finance Committee (or equivalent body) is the whole or subset of the Local Governing Body. The Finance Committee meets at least once a term but more frequent meetings can be arranged if necessary. The main responsibilities of the Finance Committee include:

- the initial review and authorisation of the annual budget for their Academy;
- the regular monitoring of actual expenditure and income against budget;
- ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 1985 and the DfE guidance issued to academies;
- Local - Governing Body authorising the award of contracts >£10k, with co-authorisation required from Trust;
- authorising changes to the academy personnel establishment and
- reviewing Internal Audit/Responsible Officer reports on the effectiveness of the financial procedures and controls. These reports must also be reported to the full Governing Body & Trust.

## **2.5 The Headteacher**

2.5.1 Within the framework of the Academy development plan as approved by the Local Governing Body, the Headteacher has overall executive responsibility for the Academy's activities including financial activities. The Headteacher retains responsibility for:

- committing school funds only for the purpose intended
- approving new staff appointments within the authorised establishment, except for any senior staff posts which the Governing Body have agreed should be approved by them;
- The Headteacher - authorising contracts up to £9,999 in conjunction with the Office/Business Manager;
- signing cheques in conjunction with the Office/Business Manager/Trust Centre Staff or other authorised signatory – all payments require 2 signatories (any cheque >£10k requires co-authority from Trust as per Scheme of Delegation).
- ensuring the Academy complies within the prescribed Scheme of Delegation both in letter and spirit

## **2.6 The Office/Business Manager**

2.6.1 The Office/Business Manager works in close collaboration with the Headteacher through whom he or she is responsible to the governors. Their main responsibilities are:

- the day to day management of financial issues including the operation of an accounting system in line with the requirements of Transform Trust;
- the management of the Academy financial position at an operational level within the framework for financial control outlined by the Academies Financial Handbook;

- the maintenance of effective systems of internal control;
- ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of the academy;
- the preparation of monthly management accounts;
- authorising orders up to £999 in conjunction with school budget holders
- signing cheques in conjunction with the Headteacher or other authorised signatories and ensuring forms and returns are sent to the DfE in line with the timetable in the DfE guidance.

## **2.7 Internal Audit**

2.7.1 Internal Audit within each Academy is to be administered by Trust Centre staff. The Chief Finance Officer of Transform Trust will appoint an Internal Auditor for the Trust Centre. The main duties of Internal Audit is to provide Trust Directors/Governing Body with independent assurance that:

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

Internal Audit will undertake at least a termly programme of reviews to ensure that financial transactions have been properly processed and that controls are operating as laid down by the Trust/Governing Body and/or the Chief Finance Officer of Transform Trust. A report of the findings from each visit will be presented to the Local Governing Body and Trust Board.

## **2.8 Other Trust/Academy Staff and Partners/Subcontractors/Suppliers**

2.8.1 Other staff/partners/subcontractors/suppliers will have varying degrees of access to Trust/Academy assets and all will have some financial responsibilities. All such public are responsible for the security of academy property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the Trust/Academy's financial procedures.

## **2.9 Register of Pecuniary Interests**

2.9.1 It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from the decisions they make. To avoid any misunderstanding that might arise, all Trust Directors/Academy Governors and any staff/partners/subcontractors/suppliers with significant financial or spending powers are required to declare any financial interests they have in companies or individuals from which the Trust/Academy may purchase goods or services. The register is open to public inspection and is held by the Chief Finance Officer for Trust Directors, and by Chairs for all members of Local Governing Bodies.

2.9.2 The register should include all business interests such as directorships, share holdings or other appointments of influence within a business or organisation which may have dealings with the Academy. The disclosures should also include business interests of

relatives such as a parent or spouse or business partner where influence could be exerted over a Governor or a member of staff by that person.

2.9.3 The existence of a register of pecuniary interests does not, of course, detract from the duties of governors and staff to declare interests whenever they are relevant to matters being discussed by the Governing Body or a committee. Where an interest has been declared, governors and staff should not attend that part of any committee or other meeting.

### **3. Accounting system**

#### **3.1 PS Financials Accounting System**

All the financial transactions of the Trust and each Academy must be recorded on the PSF accounting system. The PSF system is operated by the Office/Business Manager and anyone appointed by the Trust with appropriate skills and experience, and consists of:

- Orders/Invoices/Journals
- Payments/Receipts/Nominal Ledger bank postings
- Monthly Reconciliations
- Recording of all Transactions
- Aged Purchase Ledger & Sales Ledger, and debt collection
- Balance Sheet Management – custody of Trust/Academy assets
- Payroll Input
- Asset System Management & Depreciation
- All routine Reporting

#### **3.2 System Access**

3.2.1 Entry to the PSF system is password restricted and passwords are system changed every 3 months. At no time should an individual disclose their password to anyone else. It is expressly forbidden for more than one person to access the financial system using the same user name/password.

3.2.2 Access to the PSF system is to be restricted to the Office/Business Manager and anyone delegated by this post, the Headteacher or any signatory given authorising responsibility in the Headteacher's absence as well as those responsible for auditing the financial systems of the academy. Budget holders will have password secured access to the online module for the purposes of requisitioning goods and authorising goods received notes.

Where it is suspected that unauthorised access to the system has taken place, the Trust's Chief Finance Officer shall be notified immediately.

#### **3.3 Back-up Procedures**

3.3.1 The Trust Chief Finance Officer is responsible for ensuring that there is effective back up procedures for PS Financials data and that provision is made for restoring data in a disaster.

3.3.2 The Trust Chief Finance Officer will prepare a disaster recovery plan in the event of loss of a financial system. This should link in with the annual assessment made by Trust Directors/Boards of Governors of the major risks to which the Trust/Academy is exposed and the systems that have been put in place to mitigate those risks.

### **3.4 Transaction Processing**

3.4.1 All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are included in the following sections of the manual. All journal entries must be documented on the appropriate journal form and authorised by the Office/Business Manager/Trust Centre Staff prior to being input to the accounting system.

3.4.2 Detailed information on the operation of the PSF system can be found in the user manuals held by the academy, Trust Centre or also available from PSF.

### **3.5 Reconciliations**

3.5.1 The Office/Business Manager/Trust Centre Staff is responsible for ensuring a full balance sheet reconciliation is performed each month, and that any reconciling or balancing amounts are cleared. These include but are not limited to:

- sales ledger control account;
- purchase ledger control account;
- payroll control account;
- assets system to nominal ledger balance sheet;
- all suspense accounts – cleared down;
- bank balance per the nominal ledger to the bank statement;
- petty cash is physically counted should this be held.

3.5.2 Any unusual or long outstanding reconciling items must be brought to the attention of the Headteacher and the Trust Chief Finance Officer. The Headteacher will review and sign all reconciliations as evidence of this review.

## **4. Financial planning**

4.1 The Academy prepares 3 year and short-term in-year financial plans.

- 4.2** The 3 year financial plans are prepared as part of the development planning process. The development plan indicates how the Academy's educational and other objectives are going to be achieved within the expected level of resources over the next three year period.
- 4.3** The development plan provides the framework for the annual budget. The budget is a detailed statement of the expected resources available to the academy and the planned use of those resources for the following year.
- 4.4** The development planning process and the budgetary process are described in more detail below.

#### **4.5 Development Plan**

4.5.1 The development plan is concerned with the future aims and objectives of the Academy and how they are to be achieved; that includes matching the Academy's objectives and targets to the resources expected to be available. Plans should be kept relatively simple and flexible. They are the "Big Picture" within which more detailed plans may be integrated.

4.5.2 The form and content of the development plan are matters for the Academy to decide but due regard should be given to the matters included within the guidance to Academies and any annual guidance issued by the DfE. Transform Trust uses software from SAAF for this purpose which links with the PS Financials software package.

4.5.3 Each year the Headteacher will propose a planning cycle and timetable to the Governing Body which allows for:

- a review of past activities, aims and objectives - "did we get it right?"
- definition or redefinition of aims and objectives – "are the aims still relevant?"
- development of the plan and associated budgets – "how do we go forward?"
- implementation, monitoring and review of the plan – "who needs to do what by when to make the plan work and keep it on course" and feedback into the next planning cycle – "what worked successfully and how can we improve?"

4.5.4 The timetable will specify the deadlines for the completion of each of the key stages described above. Lead responsibility for the completion of each of the stages will be assigned by the Headteacher for the Academy, and by the Chief Finance Officer for the Trust.

4.5.5 The completed development plan will include detailed objectives for the coming academic year and outline broad objectives for the following two years. The plan should also include the estimated resource costs, both capital and revenue, associated with each objective and success criteria against which achievement can be measured.

4.5.6 For each objective, the lead responsibility for ensuring progress is made towards the objective will be assigned to a senior member of staff. That staff member should monitor performance against the defined success criteria throughout the year and report to the senior management team on a termly basis. The senior management team through the

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

#### **4.6 Annual Budget**

4.6.1 The Office/Business Manager/Trust Centre Staff is responsible in conjunction with the Headteacher for preparing and obtaining approval for the annual budget. The budget must be approved by the Finance Committee and Full Governing Body.

4.6.2 The approved budget must be submitted to the DfE by the specified deadline each year and the Chief Finance Officer is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met. A copy of the agreed budget should be submitted to the Trust Chief Finance Officer by the same deadline.

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

4.6.4 The budgetary planning process will incorporate the following elements:

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

#### **4.7 Balancing the Budget**

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

4.7.2 As per the Academies Finance Handbook, schools should use their allocated GAG funding for the full benefit of their current pupils. If a trust has a substantial surplus they should have a clear plan, for Trust approval, for how it will be used to benefit their pupils, for example a long-term capital project.

## **4.8 Finalising the Budget**

4.8.1 Once the different options and scenarios have been considered, a draft budget should be prepared by the Office/Business Manager/Trust Centre Staff in conjunction with the Headteacher for approval by the Governing Body. The budget should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.

4.8.2 The budget should be accompanied by a statement of assumptions and hierarchy of priorities so that if circumstances change, it is easier for all concerned to take remedial action. The budget should be seen as a working document which may need revising throughout the year as circumstances change.

## **4.9 Monitoring and Review**

4.9.1 Monthly reports will be prepared by the Office/Business Manager/Trust Centre Staff for disclosure to the Trust Chief Finance Officer. The reports will detail actual income and expenditure against budget at a summary level for the Headteacher and the Academy Governing Body. Budget holders will have live monitoring information available to them at all times using the PSF system.

4.9.2 Any potential overspend against the Academy budget must in the first instance be discussed with the Office/Business Manager/Trust Centre Staff and Headteacher, and then highlighted at Governing Body.

4.9.3 The monitoring process should be effective and timely in highlighting variances in the budget so that differences can be investigated and action taken where appropriate. If a budget overspend is forecast it may be appropriate to vire money from another budget or from the contingency. Virements above £1,000 must be authorised by the Governing Body.

## **5 Staff**

### **5.1 Staff Appointments**

5.1.1 The Academy Governing Body has approved a personnel establishment for the Academy. Changes can only be made to this establishment with the express approval in the first instance of the Governing Body who must ensure that adequate budgetary provision exists for any establishment changes.

5.1.2 The Headteacher has authority to appoint staff within the authorised establishment except for Deputy Headteacher whose appointment must follow formal consultation with the Governors. It is normal practice within the Academy to consult with the Chair of the Governing Body on teacher and other senior support staff appointments and to involve members of the Governing Body in the appointment process. The Office/Business

Manager/Trust Centre Staff maintains personnel files for all members of staff which include contracts of employment.

## **5.2 Payroll Administration**

5.2.1 The Academy payrolls are administered by SAAF Ltd. The Office/Business Manager/Trust Centre Staff is responsible for updating the information passed to them in a timely manner on a monthly basis.

5.2.2 All staff are paid monthly. A master file is created for each employee which records:

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

Details of all payments made are passed via email, to the Office/Business Manager/Trust Centre Staff for recording on the PSF financial package. This document should be signed each month by the Headteacher to authorise the payment.

5.2.3 The Office/Business Manager/Trust Centre Staff is responsible for liaison with SAAF to ensure all pay and other pay related matters are correctly determined prior to payments being authorised and that any errors are corrected as soon as is practically possible.

5.2.4 The Office/Business Manager/Trust Centre Staff must complete a monthly staff return which provides details for all staff in the section of sickness and other absences during the month and any new appointments or terminations. The staff return must be authorised by the Headteacher. Authorised staff returns should be sent to SAAF who are then responsible for payroll processing. A hard copy of the authorised file should be retained at the Academy.

## **5.3 Payments**

5.3.1 After the payroll has been processed but before payments are dispatched a print of salary payments by individual and showing the amount payable in total will be provided by SAAF. The print must be reviewed and authorised together with authority to release payment by the Office/Business Manager/Trust Centre Staff and the Headteacher.

5.3.2 All salary payments are made by BACS.

5.3.3 The Office/Business Manager/Trust Centre Staff Manager should prepare a reconciliation between the current months, the contract of employment record and the budget and investigate and deal with discrepancies. This reconciliation should be carried out promptly and identified discrepancies reported to the Headteacher.

5.3.4 The payroll system operated by SAAF automatically calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions, but this list is not exhaustive. The amounts payable

are summarised on the gross to net pay and these amounts should be checked by the Office/Business Manager/Trust Centre Staff and authorised for payment by the Office/Business Manager/Trust Centre Staff and the Headteacher (or other authorised cheque signatory if one is unavailable) by the due date.

5.3.5 After the payroll has been processed the nominal ledger will be automatically updated. Postings will be made both to the payroll control account and to individual cost centres. The Office/Business Manager/Trust Centre Staff should review the payroll control account each month to ensure the correct amount has been posted from the payroll system, individual cost centres have been correctly updated and to identify any amounts posted to the suspense account.

## 6 Purchasing

### 6.1 Value for Money

6.1.1 The Academy will attempt to achieve the best value for money from all purchases. This means getting what is needed in the correct quality, quantity and time at the best price possible. A large proportion of purchases will be paid for with public funds and there is a need to maintain the integrity of these funds by following the general principles of:

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

The Academy will work closely with the Trust Chief Finance Officer and other academies within the Trust to support the development of cross-Trust buying power.

### 6.2 Routine Purchasing

6.2.1 Budget holders will be informed of the budget available to them at least one month before the start of the academic year. It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent. Office/Business Manager/Trust Centre Staff will ensure that budget holders have the appropriate training in order to ensure that they can access live data in the PSF system to enable them to proactively monitor and manage their budget.

6.2.2 Routine purchases up to £1,000 can be ordered by budget holders up to the limit of their budget. In the first instance a supplier should be chosen from the list of approved suppliers maintained by the Office/Business Manager. A quote or price must always be obtained before any order is placed. If the budget holder considers that better value for money can be obtained by ordering from a supplier not on the approved supplier list the reasons for this decision must be discussed and agreed with the Office/Business Manager/Trust Centre Staff.

6.2.3 All orders must be made, or confirmed in writing using an official order form generated using the PSF system. The order is approved electronically by Office/Business Manager/Trust Centre Staff or Headteacher using the PSF system.

6.2.4 Authorised orders are dispatched electronically to the supplier by the Office/Business Manager/Trust Centre Staff.

6.2.5 All invoices should be sent to the Office/Business Manager/Trust Centre Staff. Invoice receipt will be recorded in the purchase ledger.

6.2.6 If a budget holder is pursuing a query with a supplier the Office/Business Manager/Trust Centre Staff must be informed of the query and periodically kept up to date with progress.

6.2.7 At the end of every month the Office/Business Manager/Trust Centre Staff will review all outstanding invoices from the purchase ledger. This is to ensure any old items are resolved, credits chased and cleared, and payments made on a timely basis. This review should be performed BEFORE finalisation of monthly management accounts.

6.2.8 The Office/Business Manager/Trust Centre Staff will generate cheques and/or BACS payments required. The cheques or BACS report and associated paperwork must be authorised by two of the nominated cheque signatories.

6.2.9 The Office/Business Manager/Trust Centre Staff will check all outstanding orders in PSF to ensure that they are rightly still open. They will ensure that any deliveries/services received are accurately reflected. This review should be performed BEFORE finalisation of monthly management accounts.

6.2.10 Goods should be processed as received on PS Financials by the Office/Business Manager/Trust Centre Staff. If the goods have not had an official order raised in PS Financials, then invoices must be explicitly signed by an appropriate person to confirm goods have been received.

### **6.3 Orders over £3,000 but less than £50,000**

6.3.1 Best practice indicates that three written quotations should be obtained for all orders between £3,000 and £50,000 to identify the best source of the goods/services. Written details of quotations obtained should be retained by budget holders for audit purposes. Telephone quotes are acceptable if these are evidenced and faxed confirmation of quotes has been received before a purchase decision is made. Screen prints from website which identify the goods and clearly show a price, including delivery charge, are also acceptable. If three quotes are unobtainable for any reason, a No Quotes form should be completed detailing the reason why three quotes are not obtainable.

### **6.4 Orders over £50,000**

6.4.1 All goods/services ordered with a value over £50,000 or for a series of contracts which in total exceed £50,000 must be subject to formal tendering procedures. Purchases over £164,176 (threshold from 01/01/2016) may fall under EU procurement rules which requires advertising in the Official Journal of the European Union.

## 6.5 Forms of Tenders

6.5.1 There are three forms of tender procedure: open, restricted and negotiated and the circumstances in which each procedure should be used are described below.

- **Open Tender:** This is where all potential suppliers are invited to tender. The Headteacher must discuss and agree with the Office/Business Manager how best to advertise for suppliers e.g. general press, trade journals or to identify all potential suppliers and contact directly if practical. This is the preferred method of tendering, as it is most conducive to competition and the propriety of public funds.
- **Restricted Tender:** This is where suppliers are specifically invited to tender. Restricted tenders are appropriate where:
  - there is a need to maintain a balance between the contract value and administrative costs,
  - a large number of suppliers would come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the Academy's requirements,
  - the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.
- **Negotiated Tender:** The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances:
  - the above methods have resulted in either no or unacceptable tenders,
  - only one or very few suppliers are available,
  - extreme urgency exists,
  - it would build on previous works already done (eg, previous supplier knowledge of site specifics),
  - additional deliveries/services by the existing supplier are justified.

## 6.6 Preparation for Tender

6.6.1 Full consideration should be given to:

- objective of project
- overall requirements
- technical skills required
- after sales service requirements
- form of contract.

6.6.2 It may be useful after all requirements have been established to rank requirements (e.g. mandatory, desirable and additional) and award marks to suppliers on fulfilment of these requirements to help reach an overall decision.

## **6.7 Invitation to Tender**

6.7.1 If a restricted tender is to be used then an invitation to tender must be issued. If an open tender is used an invitation to tender may be issued in response to an initial enquiry.

6.7.2 An invitation to tender should include the following:

- introduction/background to the project;
- scope and objectives of the project;
- technical requirements;
- implementation of the project;
- terms and conditions of tender and
- form of response.

## **6.8 Aspects to Consider**

### **6.8.1 Financial**

- Like should be compared with like and if a lower price means a reduced service or lower quality this must be borne in mind when reaching a decision.
- Care should be taken to ensure that the tender price is the total price and that there are no hidden or extra costs.
- Is there scope for negotiation?

### **6.8.2 Technical/Suitability**

- Qualifications of the contractor
- Relevant experience of the contractor
- Descriptions of technical and service facilities
- Certificates of quality/conformity with standards
- Quality control procedures
- Details of previous sales and references from past customers.

### **6.8.3 Other Considerations**

- Pre sales demonstrations
- After sales service
- Financial status of supplier. Suppliers in financial difficulty may have problems completing contracts and in the provision of after sales service. It may be appropriate to have an accountant or similarly qualified person examine audited accounts etc.

## **6.9 Tender Acceptance Procedures**

6.9.1 The invitation to tender should state the date and time by which the completed tender document should be received by the academy. Tenders should be submitted in plain envelopes clearly marked to indicate they contain tender documents. The envelopes should be time and date stamped on receipt and stored in a secure place prior to tender opening. Tenders received after the submission deadline should not normally be accepted.

## **6.10 Tender Opening Procedures**

6.10.1 All tenders submitted should be opened at the same time and the tender details should be recorded. Two persons should be present for the opening of tenders as follows:

- For contracts up to £100,000 - the Headteacher or the Office/Business Manager;
- For contracts over £100,000 - either the Office/Business Manager or the Headteacher plus a member of the Finance Committee/Local Governing Body.

## **6.11 Tendering Procedures**

6.11.1 For Transform Trust and individual Academies, the evaluation process for tendering should involve at least two people. Those involved should disclose all interests, business and otherwise, that might impact upon their objectivity. If there is a potential conflict of interest then that person must withdraw from the tendering process.

6.11.2 Those involved in making a decision must take care not to accept gifts or hospitality from potential suppliers that could compromise or be seen to compromise their independence.

6.11.3 Full records should be kept of all criteria used for evaluation and for contracts over £10,000. A report should be prepared for the Local Governing Body (Academy level) and Trust Board/Executive Team (Trust level) highlighting the relevant issues and recommending a decision. It is normal practice within the Trust/Academy that contracts that will have a significant material impact regardless of whether they are over the appropriate thresholds are discussed at Trust Board/Finance Committee and approval is gained before work is undertaken (eg, irregular work, sets a precedent, key staffing, etc).

6.11.4 Where required by the conditions attached to a specific grant from the DfE, the department's approval must be obtained before the acceptance of a tender.

6.11.5 The accepted tender should be the one that is economically most advantageous to the Academy. All parties should then be informed of the decision.

# **7 Income**

## **7.1**

The main sources of income for the Academy are the grants from the DfE. The receipt of these sums is monitored directly by the Office/Business Manager/Trust Centre Staff who is

responsible for ensuring that all grants due to the Academy are collected. The Academy must print all sales invoices and have them signed by the Headteacher. If the school use the Trust Central finance resource, a sales invoice request form must be completed and signed by the head before an invoice will be raised. All remittance advice is to be signed by the Office/Business Manager/Trust Centre Staff to confirm receipt and amount of income is correct.

## **7.2**

The Academy also obtains income from:

- students, mainly for trips and lunches
- the public, mainly for sports lettings and use of accommodation.

## **7.3 Trips**

7.3.1 A lead teacher must be appointed for each trip to take responsibility for the collection of sums due. In conjunction with the Office/Business Manager/Trust Centre Staff the lead teacher must prepare a record for each student intending to go on the trip showing the amount due. For the majority of local trips the lead teacher will delegate responsibility for managing these records to the Office/Business Manager/Trust Centre Staff.

7.3.2 Pupils should make payments to the Office/Business Manager/Trust Centre Staff who should make a record of individual payments received and pass these to the lead teacher. A record of payments made is retained against the pupil making the payment. All these payments are then passed through to the Office/Business Manager to record and then bank the monies received.

7.3.3 With residential trips the Office/Business Manager/Trust Centre Staff should maintain an up to date record for each student showing the amount paid and the amount outstanding. This record should be regularly updated as payments are made and parents kept informed through a payment record of amounts outstanding.

## **7.4 Lettings**

7.4.1 The Office/Business Manager/Trust Centre Staff is responsible for maintaining records of bookings of sports facilities and other accommodation and for identifying the sums due from each organisation. Payments must be made in advance for the use of facilities.

7.4.2 The Office/Business Manager/Trust Centre Staff will establish a sales ledger account and produce a sales invoice from the PSF accounting system. Outstanding debts will be chased to ensure payment is made on a timely basis, and/or the account is put on stop until debts are recovered.

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

7.4.4 Organisations using the facilities of the Academy should be instructed to send all payments to the School Office.

## **7.5 Custody**

7.5.1 All income should be recorded in the PSF system on receipt. All cash and cheques must be kept in the safe and banked every week or more frequently if the cash sums collected exceed £5,000.

7.5.2 Monies collected must be banked in their entirety in the appropriate bank account. The Office/Business Manager/Trust Centre Staff is responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system. The depositing of monies is undertaken jointly with other office staff both for security and for propriety in handling the reconciliation process. The reconciliations must be prepared promptly after each banking and signed by the preparer. Deposits must be reviewed and certified by the Headteacher.

## **7.6 School Dinner Money**

7.6.1 Payments for school lunch are made weekly by parents and are recorded individually by administrative staff. A record of the lunches paid for is kept electronically. All monies are checked and then passed to the Office/Business Manager for paying in to the bank.

7.6.2 For schools operating an in-house catering service, money is to be deposited, reconciled and authorised as per section 7.5.2.

7.6.3 For schools who use an external catering provider where cash collected is deposited into the 3rd party bank account, a reconciliation is to be prepared and sent to the catering provider. This is to be signed by the preparer and authorised by the Headteacher.

# **8 Cash Management**

## **8.1 Bank Accounts**

8.1.1 The opening of all Trust & Academy accounts must be authorised by the Trust Chief Finance Officer who must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. The operation of systems such as Bankers Automatic Clearing System (BACS) and other means of electronic transfer of funds must also be subject to the same level of control.

## **8.2 Deposits**

8.2.1 Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include:

- the amount of the deposit and
- a reference, such as the number of the receipt or the name of the debtor
- documentation to support each element making up the deposit. For example a Trip collection sheet

### **8.3 Payments and withdrawals**

8.3.1 All cheques and other instruments authorising withdrawal from Academy bank accounts must bear the signatures of two of the following authorised signatories: If any individual payment is >£10K at least one Trust Executive signatory must be obtained, as per the bank mandate

- Headteacher;
- Office/Business Manager;
- Other listed specifically on Academy bank mandate.

8.3.2 This provision applies to all accounts, public or private, operated by or on behalf of the Governing Body of the Academy. Wherever possible, there should be a different signatory to payments than that of the authoriser of the purchase.

8.3.3 Trust Centre cheques must bear two of the signatories on the bank mandate

### **8.4 Administration**

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

- all bank accounts are reconciled to the Academy's cash book;
- reconciliations are prepared by the Office/Business Manager;
- reconciliations are subject to an independent monthly review carried out by Trust Centre in their capacity as Transform Trust Finance support
- adjustments arising are dealt with promptly.

### **8.5 Petty Cash**

8.5.1 Petty Cash is not permitted in the Trust.

### **8.6 Cash Flow Forecasts**

8.6.1 The Trust Chief Finance Officer and Office/Business Manager/Trust Centre Staff are responsible for preparing cash flow forecasts to ensure that the Trust/Academy has sufficient funds available to pay for day-to-day operations. Where cash flow forecasts

predict a lack of available funds to service commitments, this should be notified to the Headteacher and Trust Chief Finance Officer immediately.

## **8.7 Investments**

8.7.1 Investments must be made only in accordance with written procedures approved by the Trust Board.

8.7.2 All investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

## **8.8 Debit Card**

8.8.1 Debit Card and Charge Card payments require budget holder approval on an official Trust order form before being made. A Full VAT receipt is to be obtained and filed.

8.8.2 All Debit Card payments are to be signed in accordance with 8.3

## **8.9 Staff Expenses**

8.9.1 Staff must seek budget holder approval for any expenditure they incur which they wish to be reimbursed by the Academy. Verbal approval must be sought for items up to £50. An official order form must be signed off by the appropriate budget holder before any items over £50 are purchased through expenses.

8.9.2 Expense claims are to be approved by the Headteacher and a VAT receipt and order form attached where appropriate. Headteacher expenses are to be approved by the Trust Executive Team. Executive Team expenses are to be authorised by another Executive Team member.

## **9 Fixed assets**

### **9.1 Asset register**

9.1 All items purchased with a value over the academy's capitalisation limit must be entered in an asset register. The capitalisation limit has been set at £1,000. The asset register should include the following information:

- asset description
- asset number
- serial number
- date of acquisition
- asset cost

- source of funding (% of original cost funded from DfE grant and % funded from other sources)
- expected useful economic life
- depreciation
- current book value
- location
- name of member of staff responsible for the asset

## 9.2 The Asset Register helps:

- ensure that staff take responsibility for the safe custody of assets;
- enable independent checks on the safe custody of assets, as a deterrent against theft or misuse;
- to manage the effective utilisation of assets and to plan for their replacement;
- help the external auditors to draw conclusions on the annual accounts and the academy's financial system and
- support insurance claims in the event of fire, theft, vandalism or other disasters.

## 9.3 Security of Assets

9.3.1 Stores and equipment must be secured by means of physical and other security devices. Only authorised staff may access the stores.

9.3.2 All the items in the register should be permanently and visibly marked as the Academy's property and there should be a regular (at least annual) count by someone other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to the Governing Body. Inventories of academy property should be kept up to date and reviewed regularly. Where items are used by the academy but do not belong to it this should be noted.

## 9.4 Disposals

9.4.1 Items which are to be disposed of by sale or destruction must be authorised for disposal by the Governing Body and, where original cost >£10k, by Transform Trust. The Academy must seek the approval of the DfE (via Transform Trust) in writing if it proposes to dispose of an asset for which capital grant in excess of £20,000 was paid.

9.4.2 Disposal of equipment to staff is not encouraged, as it may be more difficult to evidence the Academy obtained value for money in any sale or scrapping of equipment. In addition, there are complications with the disposal of computer equipment, as the Academy would need to ensure licences for software programmes have been legally transferred to a new owner, or that the hard drive has been cleaned prior to the computer work being handed over.

9.4.3 The Academy is expected to reinvest the proceeds from all asset sales for which capital grant was paid in other Academy assets. If the sale proceeds are not reinvested then the Academy must repay to the DfE a proportion of the sale proceeds.

9.4.4 All disposals of land must be agreed in advance with the Trust, Secretary of State, Local Authority and (where appropriate) Diocese.

## **9.5 Loan of Assets**

9.5.1 Items of Academy property must not be removed from Academy premises without the authority of the Headteacher. A record of property loan must be recorded in a property loan book and booked back in at the Academy when it is returned. This does not apply to laptops which are used in the Academy and taken home on a daily basis.

9.5.2 If assets are on loan for extended periods or to a single member of staff on a regular basis the situation may give rise to a 'benefit-in-kind' for taxation purposes. Property loans should therefore be kept under review and any potential benefits discussed with the Academy's auditors.

## **9.6 Inventory**

9.6.1 Schools must keep an up to date inventory log which is updated as items are added/disposed/moved.

9.6.2 Items that must be included on the inventory are items that have a cost value of >£200 and are at high risk of theft/damage.

9.6.3 Items on the inventory log must have as a minimum the name of the item, the cost, the date bought, the location and serial number/asset ID.

9.6.4 The school may wish to keep a log of additional items to the inventory, beyond what is expected as per 9.6.2.

## **10 Management of Risk**

### **10.1 Risk Register**

10.1.1 The Academy must maintain a risk register and update to assess existing risks and add new risks.

10.1.2 Risks should be identified and quantified based on likelihood and impact. Evidence and controls should be provided to determine how each risk is being managed.

10.1.3 The Risk Register should be updated at least once a term and presented to the governing body for review.

## **Extract from EFA Academies Financial Handbook 2015: - Annex C: Schedule of requirements (the ‘musts’)**

This annex, which is not a substitute for the full handbook, brings the requirements discussed throughout the handbook together in one list: the ‘musts’. Academy trusts also need to have regard to the definition of ‘[should](#)’.

### Governance and financial oversight

Must have the skills, knowledge and experience to run the academy trust.

- Must fully understand duties as company directors and charity trustees, must be aware of Charity Commission guidance [CC3: The Essential Trustee: What you Need to know, what you need to do](#) and must not have de facto trustees [[page 7](#), [1.5.12](#), [1.5.13](#) and [3.1.12](#)]
- Must appoint a principal or chief executive, in writing, who may act as an ex-officio trustee [[2.1.2](#)]
- Must designate, in writing, a named individual as the academy trust’s accounting officer (usually the principal or chief executive) who must:
  - be a fit and suitable person for the role
  - take personal responsibility for regularity, propriety and value for money
  - assure the board of trustees that there is compliance with the handbook, the funding agreement and all relevant aspects of company and charitable law

- advise the board of trustees, in writing, of any action or policy incompatible with the terms of the academy trust's articles, funding agreement or handbook
- notify EFA's accounting officer, in writing, if action proposed by the board of trustees is in breach of the trust's articles, funding agreement or this handbook
- must adhere to the 'seven principles of public life' [1.5.18 to 1.5.23, 2.1.8, 4.2.2 and 4.2.3]
- Must ensure the board of trustees meets at least three times a year, and conducts business only when quorate [2.1.3]
- Must have a chief financial officer, who is the finance director, business manager or equivalent, to lead the finance department [2.1.10]
- Must have appropriately qualified and/or experienced finance staff [2.1.11]
- Must approve a written scheme of delegation of financial powers that maintains robust internal control arrangements [2.1.4]
- Must take full control of the academy trust's financial affairs, apply the letter and the spirit of this handbook, and ensure appropriate oversight of financial transactions by:
  - having all the trust's property and assets under the control of trustees, and measures in place to prevent losses or misuse
  - having bank accounts, financial systems and financial records operated by more than one person
  - keeping and maintaining full and accurate accounting records
  - preparing accruals accounts, giving a true and fair view of the trust's use of resources, in accordance with existing accounting standards [1.4.1, 1.4.3 and 2.1.8]
- Must comply with all terms of any Financial Notice to Improve [1.5.7]
- Must waive the right to delegated authorities and seek EFA prior approval on those transactions set out in this handbook if the academy trust is subject to a Financial Notice to Improve [1.5.9]
- Must ensure value for money, regularity and propriety in relation to the management of its funds, using its discretion reasonably to command broad public support [1.5.11 and 1.5.19]
- Must provide details of the academy trust's governance arrangements in the governance statement published with its audited accounts [1.5.14]
- Must provide details of the board of trustees' review of their governance structure and composition of the board, in the academy trust's governance statement when producing audited accounts for the first time [1.5.14]
- Must publish up-to-date details of their governance arrangements in a readily accessible form on their websites in line with this handbook [2.5.2]
- Must ensure there are measures in place to manage conflicts of interest [3.1.12]
- Must ensure the chair of the board of trustees and the accounting officer manage their relationships with connected parties to avoid both real and perceived conflicts of interest [3.1.13]
- Must recognise that certain transactions with connected parties may attract greater public scrutiny and require sufficient disclosure in annual accounts to support the high standards of accountability and transparency of the public sector, including:

- transactions with individuals in a position of control and influence, including the chair of the board of trustees and accounting officer
  - payments to commercial organisations which have a profit motive, as opposed to those in the voluntary sector
  - relationships with external auditors that go beyond their duty to deliver a statutory audit [3.1.14]
- Must capture, in the academy trust’s register of interests, and as set out in this handbook:
  - relevant business and pecuniary interests of members, trustees, local governors of academies within a multi-academy trust, and senior employees
  - close family relationships between members or trustees, and/or members or trustees and employees [3.1.17 and 3.1.18]
- Must publish, on the academy trust’s website, the relevant business and pecuniary interests of trustees, members and local governors [3.1.20]
- Must ensure that the use of confidentiality clauses does not prevent an individual’s right to make disclosures in the public interest [3.1.24]
- Must complete, and return to EFA, a financial management and governance self-assessment for new academy trusts, or constituent academies joining a multi-academy trust [4.3.1]
- Must notify EFA of any instances of fraud or theft where the value exceeds £5,000, individually or cumulatively, or of any value where the fraud is unusual or systematic [4.8.2]
- Must notify EFA via Information Exchange within 14 days of the vacating or filling of the positions of chair of trustees, accounting officer and chief financial officer, and appointment of all trustees and members [4.7.4]

## Financial planning, monitoring and reporting

Must prepare and monitor financial plans to ensure ongoing financial health.

- Must have the full board of trustees approve a balanced budget for the financial year and must minute their approval [2.2.2]
- Must submit the budget forecast to EFA [2.2.3]
- Must ensure the board of trustees and any separate finance committee are responsible for:
  - ensuring good financial management and effective internal controls
  - compliance with the funding agreement and this handbook
  - receiving and considering information on the financial performance of the trust at least three times a year, taking action to ensure ongoing viability [2.2.4]

- Must notify EFA if the board of trustees formally proposes to set a deficit revenue budget for the current financial year which it is unable to address, after unspent funds from previous years are taken into account [2.2.5]
- Must have a cautious approach to investments in line with the principles set out in this handbook [2.2.9]
- Must charge for boarding provision in line with this handbook [2.2.12] 46
- Must refer any novel and/or contentious transaction to EFA for explicit prior authorisation [3.3.1, 2.2.10, 3.1.15 and 3.8.3]
- Must obtain EFA's prior approval before borrowing, including finance leases and overdraft facilities, of any duration [3.4.1, 2.2.7 and 3.9.3]
- Must obtain EFA's prior approval for writing off debts and losses, and entering into guarantees, letters of comfort and indemnities beyond limits specified in this handbook [3.6.1 to 3.6.4]
- Must, in respect of staff severance payments, consider the following:
  - whether the proposed payment to be in the interests of the trust;
  - whether a payment is justified and value for money, based on a legal assessment of the case; and
  - review the level of settlement, which must be less than the legal assessment of what the relevant body (e.g. an employment tribunal) is likely to award in the circumstances [3.7.4]
- Must consider, when making a compensation payment, whether the proposed payment is based on a careful appraisal of the facts, including legal advice, and that value for money will be achieved [3.7.9]
- Must obtain EFA's prior approval for the non-contractual/non-statutory element of a staff severance payment, or compensation payment, of £50,000 or more [3.7.6 and 3.7.10]
- Must obtain EFA's prior approval for ex gratia payments of any value [3.7.15]
- Must obtain EFA's prior approval, before entering into the acquisition and disposal of fixed assets beyond limits specified by this handbook [3.8.1]
- Must ensure a lease arrangement, or disposal, achieves the best price that can reasonably be obtained, and maintains the principles of regularity, propriety and value for money [3.8.2 and 3.9.4]
- Must obtain EFA's prior approval before entering into lease arrangements beyond limits specified in this handbook [3.9.3]

## Internal control and internal scrutiny

Must have in place sound internal control and risk management and assurance processes.

- Must establish a control framework that recognises public expectations about governance, standards and openness [2.3.2]
- Must include, in the trust's internal control framework:

co-ordinating the planning and budgeting processes:

- applying discipline in financial management, including managing banking, debt and cash flow, with appropriate segregation of duties
  - preparation of monthly budget monitoring reports
  - ensuring that delegated financial authorities are respected
  - selection, planning and oversight of any capital projects
  - the propriety and regularity of financial transactions
  - the management and oversight of assets
  - ensuring efficiency and value for money in the organisation's activities
  - a process for independent checking of financial controls, systems, transactions and risks [2.3.3]
- Must recognise and manage present and future risks, including contingency and business continuity planning, to ensure the academy trust's continued and effective operation [2.3.7 and 2.3.8]
  - Must have adequate insurance cover in compliance with its legal obligations and funding agreement, or has opted into DfE's risk protection arrangements [2.3.10]
  - Must establish an audit committee, or a committee which fulfils the functions of an audit committee, dependent on the risk, complexity and annual income of the trust [2.4.2]
  - Must have the relevant committee provide assurances to the board of trustees by reviewing the risks to internal financial control at the academy trust and agreeing a programme of work to address those risks [2.4.4]
  - Must be aware of the risk of fraud, theft and irregularity and address it through their internal control and assurance arrangements by putting in place proportionate controls [4.8.1 and 2.3.3]

## Proper and regular use of funds

### Must be able to show that public funds have been used as intended by Parliament.

Must ensure the following principles are applied:

- seeking EFA's prior approval on all proposed transactions beyond the trust's delegated authority limits
  - spending has been for the purpose intended and there is probity in the use of public funds
  - spending decisions represent value for money
  - internal delegation levels exist and are applied within the trust
  - a competitive tendering policy is in place and applied, and OJEU procurement thresholds are observed
- relevant professional advice is obtained where appropriate, including that of an external auditor where necessary [3.1.1 and 3.1.3]
  - Must be even-handed in relationships with connected parties, and ensure goods or services provided by individuals or organisations connected to the trust are provided

at no more than cost beyond the limits specified in this handbook [3.1.12 and 3.2.2 to 3.2.17]

- Must ensure that no member, trustee, local governor, employee or related individual or organisation uses their connection to the academy trust for personal gain [3.1.12]
- Must ensure there are no payments to any trustee unless such payment is permitted by the articles and complies with the terms of any relevant agreement with the Secretary of State [3.1.12]
- Must obtain the Charity Commission's prior approval for paying a trustee for acting as a trustee [3.1.12]
- Must ensure that senior employees' payroll arrangements fully meet HM Treasury's tax requirements [3.1.22]
- Must ensure any gifts given by the academy trust have the reason fully documented and have regard to propriety and regularity in the use of public funds [3.5.1]
- Must not pool PFI funding across a multi-academy trust [3.10.5]
- Must have due regard to the funding needs of their individual academies if multi-academy trusts pool GAG, and to the appeals mechanism in place [3.10.6]
- Must ensure the academy trust is eligible for the delegations and freedoms set out in this handbook by virtue of its funding agreement [3.11.1 to 3.11.5]

## Audit requirements

Must be able to assure Parliament and the public that public funds have been used for the purposes intended.

- Must produce audited accounts in line with the 'Statement of Recommended Practice' (SORP) for charities [1.4.2, 1.4.3, 2.2.14 and 4.1.1]
- Must submit audited accounts to EFA by 31 December [1.4.2]
- Must publish audited accounts on the trust's website by the end of January following the financial year to which the accounts relate, file their accounts with Companies House and provide a copy to anyone who requests them [1.4.5]
- Must approve a set of accounting policies [2.2.14]
- Must appoint a statutory (external) auditor to certify whether the accounts are true and fair [2.2.14 and 4.1.1]
- Must put the external audit contract in writing as a letter of engagement [4.1.2]
- Must put additionally purchased financial services from the external auditor in a separate letter of engagement [4.1.2]
- Must provide in the audit contract for the removal of external auditors before the expiry of the term as set out in this handbook [4.1.4]
- Must notify EFA immediately of the removal or resignation of external auditors, and the reasons [4.1.5]
- Must prepare information, at the request of EFA, to facilitate financial consolidation [4.1.7]
- Must make financial disclosures in their audited financial statements in line with this handbook [3.1.8 and 3.1.9]
- Must demonstrate how the trust has secured value for money via the governance statement in the annual accounts [1.5.20]

- Must include a statement on regularity, propriety and compliance, signed by the academy trust's accounting officer, in the audited accounts [1.5.21 and 4.2.2]
- Must include a review of the accounting officer's statement on regularity, propriety and compliance within the external auditor's remit [4.2.5]
- Must address, jointly to the trust and the Secretary of State through EFA, the auditor's conclusions on regularity [4.2.5]
- Must cooperate with NAO officials and their contractors and provide such help, information and explanation as is reasonable and necessary [4.5.1]
- Must provide EFA with access to all books, records, information, explanations, assets and premises to assist EFA with its audits [4.6.1]
- Must retain all records necessary for at least six years after the end of the period to which funding relates [4.6.2]
- Must provide EFA or its agents with information of sufficient quality to meet the purposes for which it has been requested [4.7.1]

**Extract from EFA Academies Financial Handbook 2015:**

**Annex B: Schedule of freedoms and delegations**

This annex is not a substitute for the full handbook. Trusts' delegated authorities are subject to the conditions in section 3.11. Trusts under a [financial notice to improve](#) will have their delegated authorities revoked under section 1.5.9.

Novel and contentious	Novel and contentious transactions	EFA agreement required [3.3]
Borrowing	Bank or sponsor loan, overdraft	EFA agreement required [3.4]
	Credit cards (for business, not personal use)	Trust has full discretion provided charges are not incurred [3.4]
Leasing	Taking up a finance lease	EFA agreement required [3.9.3]
	Taking up a leasehold on land and buildings	EFA agreement if lease term seven years or more [3.9.3]
	Taking up any other lease	Trust has full discretion [3.9.2]
	Granting a lease on land and buildings	EFA agreement required [3.9.3]
Write-offs and liabilities (subject to £250,000 ceiling)	Writing-off debts and losses	EFA consent required if transactions: <ul style="list-style-type: none"> <li>▪ exceed 1% of annual income or</li> <li>£45,000 individually; or</li> <li>▪ 2.5% or 5% of annual income cumulatively [3.6]</li> </ul>
	Entering into guarantees, indemnities or letters of comfort	
Special payments	Staff severance	EFA agreement required if payment £50,000 or more [3.7.6 and 3.7.10]
	Compensation	
	Ex gratia payments	EFA agreement required [3.7.15]
Acquisition and disposal of fixed assets	Acquiring a freehold on land and buildings	EFA agreement required [3.8.1]
	Disposing of a freehold on land and buildings	EFA agreement required [3.8.1]
	Disposing of heritage assets	EFA agreement required [3.8.1]
	Disposal - not land, buildings or heritage	Trust has full discretion [3.8.2]
GAG	Pooling by multi-academy trusts	No limits (except PFI) if trust eligible [3.10.5]
	GAG carry forward	No limits if trust eligible [3.10.2]