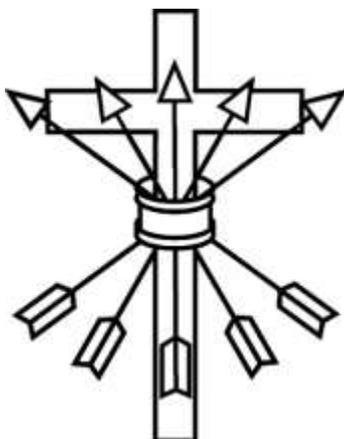


# WADDES DON CHURCH OF ENGLAND SCHOOL



## FINANCE AND GOVERNANCE POLICY

<b>POLICY STATUS:</b>	<b>Education &amp; Skills Funding Agency (ESFA) requirement</b>
<b>BASED ON ESFA ACADEMY TRUST HANDBOOK DATED</b>	<b>September 2024</b>
<b>COMMITTEE RESPONSIBLE:</b>	<b>Finance &amp; Property</b>
<b>GOVERNING BOARD APPROVAL:</b>	<b>12.02.25</b>
<b>REVIEW DATE:</b>	<b>Spring Term 2026</b>

## **Introduction**

Waddesdon Church of England School (the academy trust) converted to academy status on 1<sup>st</sup> September 2011. It is a company limited by guarantee incorporated in England & Wales under company number 7743646.

This policy has been reviewed and revised with reference to the Academy Trust Handbook (the Handbook) and covers the duties and obligations of the academy trust arising from the Funding Agreement. The policy should be used alongside these publications and all links contained within.

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

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

The accounting period of the academy trust is set out in our Funding Agreement, reporting to a 31<sup>st</sup> August year end. The audited accounts are submitted to the ESFA by 31<sup>st</sup> December each year.

The governance statement must include an assessment of the academy trust's governance, including a review of the composition of the Governing Board in terms of skills, effectiveness, leadership and impact, using the key features of effective governance set out in the Academy Trust Governance Guide (the Guide)

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

It is a condition of the academy trust's company and charitable status that the annual accounts are filed at Companies House for public access, and also that a copy of the accounts is provided to anyone who requests them. The annual accounts are available on the academy

trust's website no later than the end of January following the financial year to which the accounts relate.

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

## **Roles & Responsibilities**

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

Academy trusts are companies limited by guarantee and exempt charities. The Governing Board is subject to the duties and responsibilities of charitable trustees and company directors as well as any other conditions that the Secretary of State agrees with it. These responsibilities are mutually reinforcing and are there to ensure proper governance and conduct of the academy trust.

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

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

Academy trusts perform an important role in advancing education, promoting pupil welfare and keeping trusts' estates safe and well-maintained. Governors and management **must** have the skills, knowledge and experience to run the academy trust.

## Members

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

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

The academy trust **must** have at least three members but should have five or more.

Academy trusts **must** ensure that their members are not currently subject to a direction made under section 128 of the Education and Skills Act 2008, which prohibits individuals from taking part in academy trust management, and that they do not appoint as a member, a person who is currently subject to a section 128 direction.

- Members **must not** be employees of the academy trust, nor occupy staff establishment roles on an unpaid voluntary basis.
- The majority of members should not also be governors.
- It is important for members to be kept informed by governors about academy trust business so they can be assured that the Governing Board is exercising effective governance and use their powers to step in if governance is failing. This **must** include providing the members with the academy trust's audited annual report and accounts.

- Find out more about the role of members in section 4 of the Guide.  
<https://www.gov.uk/guidance/-governance-in-academy-trusts>

## The Governing Board

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

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

All academy trusts should have reserved places for parents, carers or other individuals with parental responsibilities in their governance structure; academy trusts should hold elections to fill these places, as appropriate.

- Single academy trusts should have at least two such places on the board.

## Governing Board Purpose

The academy trust is the legal entity with the governing board having collective accountability and responsibility for the academy trust and assuring itself that there is compliance with regulatory, contractual, and statutory requirements.

The Governing Board focuses on three core functions:

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

The Governing Board **must** provide:

- **strategic leadership** of the academy trust: the governing board defines the academy trust’s vision for high quality and inclusive education in line with its charitable objects. It establishes and fosters the academy trust’s culture and sets and champions the academy trust’s strategy
- **accountability** and assurance: the governing board has robust effective oversight of the operations and performance of the academy trust, including the provision of

education, pupil welfare, overseeing and ensuring appropriate use of funding and effective financial performance and keeping their estate safe and well-maintained.

- **Engagement:** the governing board has strategic oversight of relationships with stakeholders. The governing board involves parents, schools and communities so that decision-making is supported by meaningful engagement.

Governors **must** apply the highest standards of conduct and ensure robust governance, as these are critical for effective financial management. Academy trusts should consider the features of high-quality governance as described in [commissioning-high-quality-trusts](#)

### **Governors statutory Duties**

Governors must comply with the academy trust's charitable objects, with company and charity law, and with their contractual obligations under the [funding agreement](#). Company directors' duties are described in sections 170 to 181 of the [Companies Act 2006](#). Charity trustees' duties are described in the Charity Commission's [The essential trustee guidance](#)

As an organisation, the academy trust has a range of responsibilities under current legislation and statutory guidance. Academy Trusts' responsibilities include such matters as safeguarding, health and safety and estates management. Ensuring strong governance in these areas will be a key priority for the Governing Board.

### **Safeguarding**

The Governing Board has a duty to:

- safeguard and promote the welfare of children
- have regard to any statutory guidance on safeguarding, issued by the Secretary of State
- ensure the suitability of staff, supply staff, volunteers, contractors and proprietors.

When carrying out the Prevent duty, as required under section 26 of the Counter Terrorism and Security Act, academy trusts are required to follow the Home Office's 'Revised Prevent duty guidance: for England and Wales' and the DfE's general advice 'Protecting children from radicalisation: the prevent duty'.

## **Digital and Technology Standards**

Academy trusts should refer to the DfE's digital and technology standards, which were developed to support academy trusts in making more informed decisions about technology.

## **Health and Safety**

The main legislation covering this area is the Health and Safety at Work etc. Act 1974 and its regulations. Under the Act the academy trust, as an employer, is responsible for the health and safety of its staff, pupils, and any visitors.

The governing Board should follow the department's 'Health and Safety: responsibilities and duties for schools' as well as 'Health and Safety Executive (HSE) guidance for Education'.

Academy trusts have a duty to manage asbestos in their schools effectively, compliant with the Control of Asbestos Regulations 2012.

## **Estates management**

An academy trust's estate is both an asset and a mechanism to deliver outcomes for pupils. The DfE expects academy trusts to manage their school estate strategically and effectively and maintain their estate in a safe working condition. This includes complying with statutory duties to ensure the health and safety of building occupants.

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

## **Chair of Governors**

The chair is responsible for ensuring the effective functioning of the Governing Board and has a vital role in setting the highest expectations for professional standards of governance and accountability for the Board.

## **Employees**

Any newly appointed senior executive leader can only be a Governor, if the members decide to appoint them as such, the senior executive leader agrees and the academy trust's articles

permit it. No other employees should serve as governors, nor should governors occupy staff establishment roles on an unpaid voluntary basis. This policy does allow for staff governors, however these staff **must** not sit on the Audit committee or the Pay committee.

### **Delegation**

The Governing Board can delegate to committees and the Leadership & Management Team in accordance with their governance structure. Each committee must contain a majority of governors, but it may also include other people the Board chooses to appoint.

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

### **Skills and experience**

The Governing Board identifies the skills and experience it needs, including sufficient financial knowledge to hold the Leadership & Management team to account. Established academy trusts should include, in their governance statement, an assessment of their governance structure, including a review of the Governing Board's composition in terms of skills, effectiveness, leadership and impact.

### **Accounting Officer**

The Governing Board must appoint, in writing, a senior executive leader, who may be appointed as a governor. In single academy trusts this should be the Headteacher.

The Governing Board must also appoint, in writing, a named individual as its accounting officer. This should be the senior executive leader. The individual must be a fit and suitable person for the role. The roles of senior executive leader and accounting officer must not rotate. The roles of accounting officer and chief financial officer should not be occupied by the same individual. The accounting officer should be employed by the academy trust. The academy trust must obtain prior ESFA approval, if it is proposing, in exceptional circumstances, to appoint an accounting officer who will not be an employee.

## **Departure of the senior executive leader (accounting officer)**

When the senior executive leader is planning to leave the academy trust (for example retirement or resignation), the Governing Board should approach their DfE Regional Director in advance to discuss their structure and options, including plans for recruitment.

The Accounting Officer role includes specific responsibilities for financial matters. It includes a personal responsibility to Parliament and to ESFA's accounting officer, for the academy trust's financial resources.

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

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

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

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

## **The accounting officer's annual statement**

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

## **The accounting officer's duty to raise concerns**

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

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

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

Find out more about the accounting officer role in chapter 3 of Managing Public Money.

### **The Chief Financial Officer (Business Manager)**

The Governing Board **must** appoint a [chief financial officer](#) (CFO) to whom responsibility for the academy trust's detailed financial procedures is delegated. The CFO plays both a technical and leadership role. The CFO is employed by the academy trust, and the academy trust **must** obtain prior ESFA approval, if it is proposing, in exceptional circumstances, to appoint a CFO who will not be an employee.

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

CFOs and other key financial staff should maintain continuing professional development and/or undertake relevant ongoing training.

Find out what the CFO role may cover in the Institute of School Business Leadership's Professional Standards, and its employers' guidance.

## **The Governance Professional (Clerk to the Governing Board)**

The academy trust **must** appoint a governance professional to support the governing Board, who is someone other than a trustee, principal or chief executive of the academy trust.

Find out more about the role of the governance professional in the Guide.

## **Being transparent about governance**

The academy trust must be transparent with its governance arrangements.

The academy trust must provide details of its governance arrangements in the governance statement published with its annual accounts, including what the Governing Board has delegated to committees.

## **Register of Interests**

The academy trust must keep a register of any relevant business and financial interests, including governance roles in other educational institutions, for (as a minimum) members, Governors and senior employees, serving at any point over the past 12 months.

The register must include their full names, date of appointment, term of office, date they stepped down (where applicable), who appointed them and relevant business and financial interests including:

- directorships, partnerships and employments with businesses
- trusteeships and governorships at other educational institutions and charities
- for each interest: the name and nature of the business, the nature of the interest and the date the interest began.

The register must identify relevant interests from close family relationships between the academy trust's members, and governors. It must also identify relevant interests arising from close family relationships between those individuals and employees.

Academy trusts should consider whether other interests should be registered, and if in doubt should do so. The Governing Board **must** keep their register of interests up-to-date at all times. The Charity Commission offers guidance in [Manage a conflict of interest in your charity](#) and [CC29: Conflicts of interest: a guide for charity trustees](#).

## Academy Trust Websites

The academy trust must also publish on its website up-to-date details of its governance arrangements in a readily accessible format, including:

- the structure and remit of the academy trust's members, board of governors and committees (the academy trust's scheme of delegation for governance functions), and the full names of the chair of each
- register of business and financial interests for members, governors and accounting officers, including a nil return where applicable
- for each governor, their attendance records at board and committee meetings over the last academic year

The academy trust must make available on request for public inspection:

- the agenda for every meeting of the trustees, local committees/governing bodies and committees
- the approved minutes of each meeting
- any report, document or other paper considered at each meeting.

The academy trust may exclude from any item any material relating to:

- a named teacher or other employee or proposed employee
- a named pupil or student at the academy, or candidate for admission or referral to it
- any matter which, by reason of its nature, the trustees are satisfied should remain confidential.

## Disclosure and Barring Service checks

Academy trusts **must** obtain enhanced DBS certificates for staff and supply staff as set out in the Independent School Standards and their funding agreements. Academy trust members, governors and committee members **must** also have an enhanced DBS certificate, which does not include a barred list check (unless they also engage in regulated activity).

Find out about DBS checks and regulated activity in schools within the statutory guidance Keeping children safe in education (KCSIE).

## **Main Financial requirements**

### **Financial Oversight**

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

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

### **Governing Board Meetings**

Governing Board meetings **must** take place at least three times a year, although academy trusts should consider meeting more frequently to discharge their responsibilities.

### **Scheme of delegation**

The Governing Board cannot delegate overall responsibility for the academy trust's funds. However, it **must** approve a written scheme of delegation of financial powers that maintains robust internal controls. The scheme of delegation should be reviewed annually, and at the next available Governing Board meeting when there has been a change in academy trust management or organisational structure that would impact the effectiveness of any existing scheme of delegation.

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

### **Basic control principles**

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

- clearly communicated procedures, structures and training of staff
- appropriate day to day supervision and checks by management
- internal scrutiny overseen by an audit and risk committee
- external audit and assurance

The control framework **must**:

- ensure delegated financial authorities are complied with
- maintain appropriate segregation of duties
- co-ordinate the planning and budgeting process

- apply discipline in financial management, including managing debtors, creditors, cash flow and monthly bank reconciliations
- [plan and oversee capital projects including those relating to estates safely](#)
- manage and oversee assets, and maintain a fixed assets register
- ensure [regularity](#), [propriety](#) and value for money in the organisation's activities
- ensure a risk register is maintained and reviewed by the board drawing on advice provided to it by the audit and risk committee
- reduce the risk of fraud and theft
- deliver independent checking of controls, systems, transactions and risks

[Find out how the governors must ensure internal control and risk management is scrutinised and operating effectively.](#)

## Financial Planning

The Governing Board **must**:

- ensure that financial plans are prepared and monitored, satisfying itself that the academy trust remains a [going concern](#) and financially sustainable
- take a longer term view of the academy trust's financial plans consistent with the requirement to submit three-year budget forecasts to ESFA
- set a policy for holding reserves and explain it in its annual report, including a clear plan for managing reserves.

Find out more about: Charity reserves: building resilience (CC19)

[Academy trust reserves good practice guide](#)

## Setting a budget

The Governing Board, and any separate committee responsible for finance, **must** ensure rigour and scrutiny in budget management.

It **must** approve and minute approval of a [balanced budget](#), and any significant changes to it, for the financial year to 31 August, which can draw on unspent funds brought forward from previous years.

The Governing Board **must** ensure budget forecasts for the current year and beyond are compiled accurately, based on realistic assumptions including any provision being made to sustain capital assets, and reflect lessons learned from previous years.

It should challenge pupil number estimates as these underpin revenue projections and review these termly.

Governing boards are encouraged to take [an integrated approach to curriculum and financial planning](#) (School Modeller).

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

### **Sending the budget to ESFA**

- The academy trust **must** submit to ESFA, in a form specified by ESFA, an Academies budget forecast return (BFR) by the end of August.
- These **must** be approved by the governors before submission.
- The Governing Board **must** notify [ESFA](#) within 14 calendar days of its meeting if proposing to set a deficit revenue budget for the current financial year, which it cannot address after taking into account unspent funds from previous years, as this would be non-compliant with the funding agreement and this handbook.

### **Monitoring the budget**

- The academy trust **must** prepare management accounts, including an income and expenditure account, variation to budget report, cash flow forecasts and balance sheet every month setting out its financial performance and position.

- Management accounts **must** be shared with the chair of governors every month, and the Governing Board **must** consider when it meets and be assured that it has appropriate oversight of the academy trust's financial position.
- The Governing Board **must** ensure appropriate and timely action is being taken to maintain financial viability, including addressing variances between the budget and actual income and expenditure.

### **Cash management**

The academy trust **must** manage its cash position robustly. It **must** avoid becoming overdrawn on any of its bank accounts so that it does not breach restrictions on borrowing.

### **Investments**

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

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

The Governing Board should follow the Charity Commission's guidance: [CC14 Charities and investment matters: A guide for trustees](#).

### **Procurement and spending decisions**

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

- **Procurement basics**

The academy trust **must** ensure:

- spending has been for the purpose intended and there is probity in the use of public funds including in relation to any actual or perceived conflicts of interest.
  - spending decisions represent [value for money](#)
  - internal delegation levels are applied
  - a competitive procurement procedure is in place and incorporated into the academy trust's financial framework, and the procurement rules and thresholds in the Procurement Regulations 2024 and Find a Tender service are observed
  - professional advice is obtained where appropriate
- Academy Trusts should refer to the [Buying for schools](#) tool to obtain value for money and apply relevant procurement regulations

### **Setting executive pay**

- The Governing Board **must** ensure its decisions about levels of executive pay (including salary and any other benefits) follow a robust evidence-based process and are a reasonable and defensible reflection of the individual's role and responsibilities. No individual can be involved in deciding their remuneration.
- The Governing Board **must** discharge its responsibilities effectively, ensuring its approach to pay and benefits is transparent, proportionate and justifiable, including:
  - An agreed process for determining executive pay
  - independent scrutiny by the Governing Board
  - robust decision-making
  - proportionality – pay and benefits represent good value for money and are defensible relative to the public sector market
  - documented decision-making with rationale
  - a basic presumption that executive pay and benefits should not increase at a faster rate than that of teachers, in individual years and over the longer term
  - understanding that inappropriate pay and benefits can be challenged by ESFA, particularly in instances of poor financial management of the academy trust.

### **Publication of executive pay**

- The academy trust **must** publish on its website in a separate readily accessible form the number of employees whose benefits exceeded £100,000, in £10,000 bandings, for the

previous year ended 31 August. Benefits for this purpose include salary, employers' pension contributions, other taxable benefits and termination payments. Where the academy trust has entered into an off-payroll arrangement with someone who is not an employee the amount paid by the academy trust for that person's work for the academy trust must also be included in the website disclosure where payment exceeds £100,000 as if they were an employee.

### **Tax arrangements for senior employees**

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

### **Electric Vehicle (EV) Salary Sacrifice Schemes**

Academy trusts must approach ESFA to seek approval for the following transactions:

- entering into a new electric vehicle salary sacrifice scheme

You must contact ESFA early in the planning stage

### **Purchase of alcohol**

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

### **Income Generation**

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

### **Risk management**

#### **Oversight of risk and the risk register**

- The academy trust **must** manage risks to ensure its effective operation and **must** maintain a risk register:
  - Overall responsibility for risk management, including ultimate oversight of the risk register, **must** be retained by the Governing Board, drawing on advice provided to it by the audit and risk committee.
  - Other committees may also input into the management of risk at the discretion of the Governing Board.
  - Aside from any review by individual committees, the Governing Board itself **must** review the risk register at least annually.
  - Risk management covers the full operations and activities of the academy trust, not only financial risks.
- The academy trust's management of risks **must** include contingency and business continuity planning.

### **The risk protection arrangement**

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

### **Whistleblowing**

#### **Having a procedure**

- The Governing Board **must** agree a procedure for whistleblowing, to protect staff who report individuals they believe are doing something wrong or illegal.

- The academy trust should appoint at least one governor and one member of staff who other staff can contact to report concerns.

### **Informing staff**

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

### **Provision of Information**

#### **General information requests**

The academy trust **must** provide ESFA, or its agents, with information ESFA requires to meet funding requirements.

#### **Information about key individuals in the academy trust**

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

## Internal Scrutiny

### Purpose

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

### Approach

Internal scrutiny **must** focus on:

- **evaluating** the suitability of, and level of compliance with, financial and non-financial controls.
- **offering advice and insight** to the board on how to address weaknesses in financial and non-financial controls
- **ensuring all categories of risk** are being adequately identified, reported and managed.

The academy trust **must** identify on a risk-basis (with reference to its risk register) the areas it will review each year

### Working with other assurance providers

Internal scrutiny should take account of output from other assurance procedures to inform the programme of work -for example external audit and ESFA reviews.

### Independence and objectivity

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

### Directing internal scrutiny – the audit and risk committee

#### Requirement for a committee

- The academy trust **must** establish an audit and risk committee, appointed by the Governing Board.

- Due to the size of our academy trust we **must** either have a dedicated audit and risk committee or can combine it with another committee, such as finance. The Governing Board have approved the Finance & Property committee on this basis.
- The audit and risk committee should meet at least three times a year.

### **Remit of the committee in relation to internal scrutiny**

The audit and risk committee **must**:

- Oversee and approve the trust's programme of internal scrutiny
- ensure that risks are being addressed appropriately
- report to the Governing Board on the adequacy of the academy trust's internal control framework, including financial and non-financial controls and management of risks.

### **Membership of the committee**

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

### **Operating the committee**

The committee **must**:

- have written terms of reference
- agree a programme of work annually to deliver internal scrutiny that provides coverage across the year, agree who will perform the work and consider their reports and the academy trust's progress in addressing recommendations
- review the ratings and responses on the risk register to inform the programme of work,
- have access to the external auditor as well as their internal scrutineers  
Oversight **must** ensure information submitted to DfE and ESFA that affects funding, is accurate and in compliance with funding criteria.

## Delivering internal scrutiny

### Principles

Internal scrutiny **must**:

- be independent and objective – for example it **must not** be performed by the Leadership and Management Team (LMT) or the finance team.
- be conducted by someone suitably qualified and experienced and able to draw on technical expertise as required
- be timely, with the programme of work spread appropriately over the year so higher risk areas are reviewed in good time
- include regular updates to the audit and risk committee by the person(s) or organisation(s) carrying out the programme of work, incorporating:
  - a report of the work to each audit and risk committee meeting,
  - an annual summary report to the audit and risk committee for each year ended 31 August outlining the areas reviewed, key findings, recommendations and conclusions, to help the committee consider actions and assess year on year progress.

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

### Options

The academy trust **must** deliver internal scrutiny in the way most appropriate to its circumstances. Options include and combination of

- employing an in-house internal auditor
- a bought-in internal audit service
- the appointment of a non-employed governor
- an independent peer review by the chief financial officer from another academy trust.

All academy trusts may also use other individuals or organisations where specialist non-financial knowledge is required.

To ensure those carrying out the programme of internal scrutiny work are suitably qualified and/or experienced:

- auditors should be members of a relevant professional body
- trustees and peer reviewers performing the work should have qualifications and/or experience relevant to the area being reviewed.

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

### **External reporting and transparency**

- The academy trust **must** confirm in its governance statement, accompanying its annual accounts, which of the internal scrutiny options it has applied and why. The outcome of the work **must** also inform the accounting officer's statement of regularity in the annual accounts.
- The academy trust **must** submit its annual summary report to ESFA by 31 December each year when it submits its audited annual accounts. The academy trust **must** also provide ESFA with any other internal scrutiny reports if requested.

Find out more in ESFA's internal scrutiny good practice guide, which:

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

Further information on internal audit is available at the Chartered Institute of Internal Auditors.

## **Annual accounts and external audit**

### **Preparation and audit of accounts**

The academy trust **must** maintain adequate accounting records and prepare an annual report and accounts in line with the Charity Commission's Statement of Recommended Practice (SORP) and ESFA's Accounts Direction.

The accounts **must** be audited.

The accounting period of an academy trust will end on 31 August.

The audited report and accounts **must** be:

- submitted to ESFA by 31 December
- published on the academy trust's website by 31 January
- filed with [Companies House](#) by 31 May
- provided to every member and to anyone who requests a copy

## **External auditors**

### **Appointment of external auditors**

Academy trusts **must** appoint an auditor to give opinion on whether their annual accounts present a true and fair view of the academy trust's financial performance and position (appointment being by the members, other than where the Companies Act permits the governors to appoint) and, as reporting accountant, provide a regularity assurance conclusion. Academy trusts should retender their external audit contract at least every five years and must consider the relevant points mentioned below when evaluating.

The audit contract and regularity engagement **must** be in writing and must not cover other services. If additional services are purchased, a separate letter of engagement **must** be obtained specifying the work and the fee.

### **Removal of external auditors**

The letter of engagement **must** allow for removal of auditors, before the expiry of the term of office, in exceptional circumstances. Proposals to remove auditors **must** require a majority vote of the members who **must** provide reasons for their decision to the Board. There **must** be a requirement in the letter of engagement for the auditors to provide the academy trust with an explanation within 14 calendar days if the auditors resign.

The Governing Board **must** notify [ESFA](#) immediately of the removal or resignation of the auditors. For removal, the academy trust **must** notify [ESFA](#) of the reasons, copying to ESFA any statement from the auditor on this matter. For resignation, the academy trust **must** copy to [ESFA](#) an explanation from the auditors. A change in auditor at the expiry of their agreed term of office does not require notification to ESFA.

## **Group auditors and sector account**

DfE will consolidate each academy trust's accounts into a sector annual report and accounts (SARA). As each academy trust is a component of the SARA, the academy trust **must** prepare the financial information requested by DfE for this purpose.

Academy trusts' auditors will be required by DfE to audit certain information, and this requirement should be incorporated within the terms of engagement.

The National Audit office (NAO) must reach an opinion on regularity for ESFA's own accounts, and for this will draw on the regularity opinions of academy trusts' auditors.

## **Review of regularity**

### **Accounting officer's statement**

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

### **Auditor's review of regularity**

A review of the accounting officer's statement **must** be included within the remit of academy trusts' external auditors. The auditor's conclusions on regularity **must** be addressed jointly to the academy trust and ESFA.

## **External audit oversight and findings – the audit and risk committee**

The Governing Board, taking advice from the audit and risk committee, **must** ensure there is an appropriate, reasonable and timely response by the academy trust's management team to findings by external auditors, taking opportunities to strengthen systems of financial management and control.

Specifically the audit and risk committee must:

- review the external auditor's plan each year
- review the annual report and accounts
- review the auditor's findings and actions taken by the academy trust's managers in response to those findings

- assess the effectiveness and resources of the external auditor to provide a basis for decisions by the academy trust's members about the auditor's reappointment or dismissal or retendering. Considerations may include:
  - the auditor's sector expertise
  - their understanding of the academy trust and its activities
  - whether the audit process allows issues to be raised on a timely basis at the appropriate level
  - the quality of auditor comments and recommendations in relation to key areas
  - the personal authority, knowledge and integrity of the audit partners and their staff to interact effectively with, and robustly challenge, the academy trust's managers
  - the auditor's use of technology
- report of the committee's conclusions annually to Governing Board and members, including recommendations on the reappointment or dismissal or retendering of the external auditor, and their remuneration.

## Delegated authorities

### Requirement to obtain ESFA approval

The academy trust has autonomy over financial transactions arising in the normal course of business. However, some transactions have delegated authority limits beyond which academy trusts **must** obtain prior [ESFA](#) approval, regardless of the source of funds.

Academy Trusts **must** ensure they understand and comply with the **schedule of delegated authorities** as set out below. ESFA may intervene where academy trusts do not seek the required ESFA approval in advance.

Use ESFA's contact form to request ESFA approval for any transactions beyond the academy trusts delegation limits. Such approval must be sought before the transaction takes place.

### Disclosure

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

- special payments – compensation

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

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

- special payments – staff severance, of any value

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

### **Novel, contentious or repercussive transactions**

Novel, contentious and/or repercussive transactions **must** always be referred to [ESFA](#) for prior approval, and requests must be made to ESFA before the transaction occurs. Novel transactions are those of which the academy trust has no experience, or are outside its range of normal business.

- Contentious transactions are those that might cause criticism of the academy trust by Parliament, the public or the media.
- Repercussive transactions are those likely to cause pressure on other academy trusts to take a similar approach and hence have wider financial implications.

### **Special Payments**

Certain transactions by public bodies may fall outside their usual planned range of activity and may exceed statutory and contractual obligations. HM Treasury calls these special payments, (see annex 4.13 of [Managing Public Money](#)), and are subject to greater control than other payments. They include:

- staff severance payments
- compensation payments
- ex gratia payments

## Special staff severance payments

Special staff severance payments are paid to employees outside statutory or contractual requirements when leaving public employment. They are different to ex gratia payments.

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

- that the proposed payment is in the academy trust's interests
- whether the payment is justified, based on legal assessment of the academy trust's chances of successfully defending the case at [employment tribunal](#). If there is a significant prospect of losing the case, a settlement may be justified, especially if the costs of a defence are likely to be high. Where a legal assessment suggests the academy trust is likely to be successful, a settlement should not be offered
- if the settlement is justified, the academy trust would need to consider the level of settlement. This **must** be less than the legal assessment of what the relevant body (e.g. an employment tribunal) is likely to award

Staff severance payments should not be made where they could be seen as a reward for failure, such as gross misconduct or poor performance. The only acceptable rationale in the case of gross misconduct would be where legal advice is that the claimant is likely to succeed in an employment tribunal because of employment law procedural errors. In the case of poor performance, an acceptable comparison would be the time and cost of taking someone through performance management and capability procedures.

Where the academy trust is considering a staff severance payment, including a non-statutory/non-contractual element or £50,000 or more (gross, before income tax or other deductions), [ESFA's](#) prior approval **must** be obtained before making any offer to staff. ESFA will refer such transactions to HM Treasury, so academy trusts should allow sufficient time for proposals to be considered.

Settlements **must** not be accepted unless satisfying the conditions in this handbook and in [ESFA's guidance and submission template](#).

Additionally, in accordance with HM Treasury's Guidance on Public Sector Exit Payments, Academy trusts must obtain prior ESFA approval before making a special staff severance payment where:

- an exit package which includes a special severance payment is at, or above, £100,000; and/or
- the employee earns over £150,000.

### **Use of confidentiality clauses**

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

### **Compensation payments**

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

### **Ex gratia payments**

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

### **Write-offs and entering into liabilities**

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

- writing-off debts and losses

- entering into guarantees, letters of comfort
- entering into indemnities which are not in the normal course of business.

The delegated limits, are:

- 1% of total annual income or £45,000 (whichever is smaller) per single transaction
- cumulatively, 2.5% of total annual income (subject to a maximum of £250,000) in any financial year per category of transaction for academy trusts that have not submitted timely, unqualified accounts for the previous two financial years.
- cumulatively, 5% of total annual income (subject to a maximum of £250,000) in any financial year per category of transaction for academy trusts that have submitted timely, unqualified accounts for the previous two financial years

In relation to these limits:

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

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

## Acquisition and disposal of fixed assets

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

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

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

## Leasing

Under UK financial reporting standards, there are two types of lease:

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

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

- taking up a finance lease on any asset not on the [DFE Approved List](#) for any duration from another party, which are subject to the borrowing restrictions described below
- taking up a leasehold or tenancy agreement on land or buildings from another party for a term of seven or more years
- granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party.

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

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

## Managing General Annual Grant (GAG)

### Managing surplus GAG

ESFA previously set limits on [GAG](#) carried forward by academy trusts from year-to-year. These limits have now been removed for eligible academy trusts.

## Gifts

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

## Borrowing

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

Permission for borrowing is only allowed in exceptional circumstances, such as schemes introduced by the Secretary of State - for example the Department's Condition Improvement Fund.

## Related party transactions

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

Related parties include persons and entities with control or significant influence over the academy trust, and members of the same group (e.g. parent and subsidiary companies, key management personnel and close family members).

The above description is not comprehensive. Find the full definition in:

- section 33 of Financial Reporting Standard 102
- section 9.15 and appendix 1 of the Charities SORP.

The related parties section of ESFA's Accounts Direction provides further information

## Principles applying to related party relationships

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

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

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

The Governing Board **must** ensure requirements for managing related party transactions are applied across the academy trust. The chair of governors and the accounting officer **must** ensure their capacity to control and influence does not conflict with these requirements. They **must** manage personal relationships with related parties to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with [The 7 principles of public life](#).

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

- transactions with individuals in a position of control and influence, including the chair of governors and accounting officer
- payments to organisations with a profit motive, as opposed to those in the public or voluntary sectors
- relationships with external auditors beyond their duty to deliver a statutory audit

The academy trust **must** keep sufficient records, and make sufficient disclosures in their annual accounts, to show that transactions with these parties, and all other related parties, have been conducted in accordance with the high standards of accountability and transparency required within the public sector.

### **Reporting and approval of related party transactions**

Academy trusts **must** report all contracts and other agreements with related parties to ESFA in advance of the contract or agreement commencing, using ESFA's [related party on-line form](#).

Academy trusts **must** obtain ESFA's prior approval, using ESFA's related party on-line form, for contracts and other agreements for the supply of goods or services to the academy trust by a related party agreed on or after 1 September 2023 where a contract or other agreement exceeds £40,000 in the same financial year ending 31 August.

This approval requirement does not apply in the following circumstances:

- Contracts and other agreements for the supply of goods or services to an academy trust by the following educational establishments:
  - Colleges, universities and schools which are sponsors of the academy trust
  - State funded schools and colleges, including academies

This concession does not apply to transactions with a subsidiary of such a related party

- the provision of services to an academy trust with a religious designation, for essential functions fundamental to the academy trust's religious character and ethos which can only be provided by their religious authority.

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

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

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

### **At cost requirements**

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

- members or governors of the academy trust
- individuals or organisations related to a member or governors of the academy trust - for these purposes the following persons are related to a member, or governor:
  - a relative of the member or governor. A relative is defined as a close member of the family, or member of the same household, who may be expected to influence, or be influenced by, the person. This includes, but is not limited to, a child, parent, spouse or civil partner
  - an individual or organisation carrying on business in partnership with the member, governor or a relative of the member or governor
  - a company in which a member or the relative of a member (taken separately or together), and/or a governor or the relative of a governor (taken separately or together), holds more than 20% of the share capital or is entitled to exercise more than 20% of the voting power at any general meeting of that company
  - an organisation controlled by a member or the relative of a member (acting separately or together), and/or a governor or the relative of a governor (acting separately or together). For these purposes an organisation is controlled by an

individual or organisation if that individual or organisation can secure that the affairs of the body are conducted in accordance with the individual's or organisation's wishes

- any individual or organisation given the right under the academy trust's [articles of association](#) to appoint a member or governor of the academy trust; or any body connected to such individual or organisation
- any individual or organisation recognised by the Secretary of State as a sponsor of the academy trust; or any body connected to such individual or organisation
- A body is connected to another individual or organisation if it is controlled by the individual or organisation, or controls the organisation, or is under common control with the individual or organisation. For these purposes, control means:
  - holding more than 20% of the share capital (or equivalent interest), or
  - having the equivalent right to control management decisions of the body, or
  - having the right to appoint or remove a majority of the board or governing Board
- The 'at cost' requirement does not apply to the academy trust's employees unless they are also one of the parties described above.
- While these provisions do not apply to contracts of employment, the principles of [value for money](#) and using public money properly, including managing conflicts of interest, still apply. Salaries should be appropriate to the individual's skills and experience and to wider market rates.
- If staff of an individual or organisation above are based in, or work from the premises of, the academy trust, that individual/ organisation and the academy trust **must** agree an appropriate sum to be paid to the academy trust for use/occupation of the premises, save to the extent that they are carrying out work for the academy trust.
- The 'at cost' requirement applies to contracts with a related party exceeding £2,500, cumulatively, in any one financial year. Where a contract takes the academy trust's cumulative annual total with the related party beyond £2,500, the element above £2,500 **must** be at no more than cost.

- In relation to organisations supplying legal advice or audit services to the academy , the 'at cost' requirement applies where the organisation's partner managing the service is a member or governor of the academy trust but not in other cases for those organisations. The published [ethical standards](#) for auditors prevent partners or employees of the audit firm from acting as a trustee of their client academy trust, but not of other academy trusts.
- In relation to dioceses, the provision of services to protect and develop the academy trust's religious character and ethos, which only the diocese can provide, are regarded as meeting the 'at cost' requirement.
- For academy trusts;
  - with a college, university or school which is a sponsor of the academy trust, or
  - transacting with any other state funded school (including an academy) or college

the provision of goods and/or services by that sponsor, state funded school or college are regarded as meeting the "at cost" requirement. This does not apply to transactions with a subsidiary of such a related party
- Academy trusts **must** ensure any agreement with an individual or organisation referred to above to supply goods or services to the academy trust is properly procured through an open and fair process and is:
  - supported by a statement of assurance from that individual or organisation to the academy trust confirming their charges do not exceed the cost of the goods or services, and
  - on the basis of an open book agreement including a requirement for the supplier to demonstrate clearly, if requested, that their charges do not exceed the cost of supply
- For these purposes the cost will be the ' full cost' of all the resources used in supplying the goods or services, and **must not** include any profit. Full cost includes:
  - all direct costs (costs of materials and labour used directly in producing the goods or services)

- indirect costs (a proportionate share of fixed and variable overheads)

## Summary of freedoms and delegations

This summary is not a substitute for the full details contained within the Handbook. Academy trusts' delegated authorities are subject to the conditions in section 5.56. Academy trusts under a notice to improve will have their delegated authorities revoked under section 6.18.

Type of transaction	Delegation
Novel, contentious and repercussive transactions	ESFA agreement required <a href="#">[5.6]</a>
Staff severance and compensation	ESFA agreement required if £50,000 or more before tax <a href="#">[5.11]</a> and <a href="#">[5.16]</a>
Ex gratia payments	ESFA agreement required <a href="#">[5.18]</a>
Writing-off debts and losses (subject to £250,000 ceiling)	ESFA consent required if exceeds: <ul style="list-style-type: none"> <li>• 1% of annual income or £45,000 individually; or</li> <li>• 2.5% or 5% of annual income cumulatively <a href="#">[5.19 and 5.20]</a></li> </ul>
Entering into indemnities (beyond the normal course of business), guarantees or letters of comfort (subject to £250,000 ceiling)	ESFA consent required if exceeds: <ul style="list-style-type: none"> <li>• 1% of annual income or £45,000 individually; or</li> <li>• 2.5% or 5% of annual income cumulatively <a href="#">[5.19 and 5.20]</a></li> </ul>
Acquiring freehold land/buildings	ESFA agreement required <a href="#">[5.23]</a>
Disposing of a freehold on land/buildings	ESFA agreement required <a href="#">[5.23]</a>
Disposing of heritage assets	ESFA agreement required <a href="#">[5.23]</a>
Other asset disposals	Trust has full discretion <a href="#">[5.24]</a>
Taking up a finance lease not on the <a href="#">approved list</a>	ESFA agreement required <a href="#">[5.26]</a>

Type of transaction	Delegation
Taking up a leasehold on land and buildings	ESFA agreement if lease term seven years or more <a href="#">[5.26]</a>
Taking up any other lease	Trust has full discretion <a href="#">[5.25]</a>
Granting a lease on land and buildings	ESFA agreement required <a href="#">[5.26]</a>
GAG carry forward	No limits if trust eligible <a href="#">[5.29]</a>
Pooling by trusts with multiple academies	No limits (except <a href="#">PFI</a> ) if trust eligible <a href="#">[5.30]</a>
Loan, overdraft	ESFA agreement required <a href="#">[5.33]</a>
Credit cards (for business use)	Trust has full discretion provided charges not incurred <a href="#">[5.33]</a>
Supplies to the trust from related parties	ESFA agreement required over £40,000 and over associated limits in <a href="#">[5.42]</a> unless exempt as set out in <a href="#">[5.42]</a>

## The Regulator and intervention

### ESFA Oversight

- ESFA's accounting officer is accountable to Parliament for how ESFA uses its funds and personally responsible for the regularity, propriety and value for money of its expenditure.
- ESFA's accounting officer will send a '[Dear Accounting Officer](#)' letter at least annually to academy trust accounting officers, covering issues such as developments in the accountability framework and ESFA findings. Accounting officers **must** share it with their members, governors, chief financial officer and senior leadership team, arrange for the

governing Board to discuss it and take action, if necessary, to strengthen financial controls.

### **Access rights**

- DfE, ESFA or its agents may carry out audits at the academy trust. The academy trust **must** provide DfE and/or ESFA with access to all books, records, information, explanations, assets, premises and staff, and DfE/ESFA may take copies of relevant documents.

### **Investigations: Third party documentation**

- Where DfE/ESFA has concerns about financial management and/or governance at an academy trust, it may wish to obtain from third parties information or documentation about the academy trust which DfE/ESFA considers relevant for the purposes of its investigation. Academy trusts must provide DfE/ESFA with written authority, giving permission for any third party to provide such information and documentation to DfE/ESFA or its agents on request of DfE/ESFA

### **Retention of records**

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

### **Financial management and governance self-assessment**

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

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

### **Funding audit**

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

## Fraud, theft and irregularity

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

## Cybercrime

Academy trusts must also be aware of the risk of cybercrime, put in place proportionate controls and take appropriate action where a cyber security incident has occurred. Academy trusts should take appropriate action to meet DfE's [cyber-security-standards](#) , which were developed to help them improve their resilience against cyber-attacks.

Academy trusts must obtain permission from ESFA to pay any cyber ransom demands. ESFA supports the National Crime Agency's recommendation not to encourage, endorse, or condone

the payment of ransom demands. Payment of ransoms has no guarantee of restoring access or services and is likely to result in repeat incidents.

Find out more about:

- managing the risk of fraud and reporting it to ESFA.
- National Cyber Security Centre
- NCSC-Alert Further targeted ransomware attacks on education sector March 2021

### **Intervention powers**

Where DfE or ESFA has concerns about financial management and/or governance in an academy trust it may issue, and publish, a Notice to Improve (Ntl)

Examples of when a Ntl might be issued on financial management grounds include:

- an actual or projected deficit
- cash flow problems
- insolvency risk
- irregular use of public funds
- poor internal scrutiny
- breaches of related party requirements.
- Examples of when a Ntl might be issued on governance grounds include:
  - the academy trust board not being properly constituted
  - trustees failing to comply with their safeguarding duties
  - trustees lacking the skills, knowledge and experience to exercise effective oversight of the academy trust's operations and performance, including educational performance.
  - trustees and the executive failing to manage their school estate and maintain it in a safe working condition strategically and effectively
- An Ntl describes what an academy trust **must** do to address concerns about financial management or governance. The academy trust must comply with the Ntl. Failure to comply will be deemed a funding agreement breach. The funding agreement may be terminated due to non-compliance with a Ntl.

- If an Ntl is issued, the delegated authorities above are revoked, and all transactions of this nature **must** be approved in advance by [ESFA](#), specifically:
  - special staff severance payments
  - compensation payments
  - writing off debts and losses
  - entering into guarantees, indemnities or letters of comfort
  - disposals of fixed assets beyond any limit in the funding agreement
  - taking up a leasehold or tenancy agreement on land or buildings of a duration beyond any limit in the funding agreement
  - carry forward of unspent GAG from one year to the next beyond any limit in the funding agreement
  - pooling of GAG

The academy trust may also be prevented from entering into transactions with related parties without approval. These delegated authorities shall be returned once the Ntl has been complied with, and improvement is sustainable.

The department will notify the academy trust of the date on which the department has published the Ntl. The academy trust must then publish the Ntl on its own website within 14 days and retain it on the website until the Ntl is lifted by the department.

Find out more about Notice to Improve (Ntl).

### **Secretary of State for Education directions**

Where the Secretary of State for Education has concerns about an individual managing an academy trust, he may take action to address those concerns.

Subject to the relevant provisions being present in the academy trust's funding agreement, the Secretary of State can require the academy trust to remove a member or trustee. This can include where the individual has been convicted, cautioned or engaged in relevant conduct and, as a result, the Secretary of State for Education considers them unsuitable to take part in management of the academy trust.

The Secretary of State for Education can also make directions under section 128 of the [Education and Skills Act 2008](#) prohibiting individuals from taking part in academy trust

management. This could prevent an individual from acting as a member, governor or executive leader of an academy trust. The circumstances are prescribed in [regulations](#) but can include where the individual is subject to a caution or conviction or has engaged in relevant conduct, and the Secretary of State considers that because of that caution, conviction or conduct that individual is unsuitable to take part in management of a school.

### **ESFA work with the Charity Commission**

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

### **ESFA work with the Insolvency Service**

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

### **ESFA approach to academy resource management**

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

### **National Audit Office and Public Accounts Committee**

- The NAO has the right to access the accounts and relevant records of an academy trust for inspection, or for value for money studies. The academy trust **must** cooperate with NAO and their contractors and provide help, information and explanation as is reasonable and necessary.

- The NAO's findings are considered by the [Public Accounts Committee](#) (PAC). The PAC has power to call anyone, including past and current accounting officers of a academy trust, to account for proper use of public funds.

## **Waddesdon School Finance Specifics**

### **Delegation of Financial Powers**

The Business Manager has the following key responsibilities:

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

On a daily basis the Business Manager will:

- have delegated responsibility to make virements within the authorised limits;
- oversee all orders placed and invoices received;
- oversee all income received by the academy in terms of grants, donations or third party payments, including instrumental music charges;
- oversee management of the petty cash account;
- ensure accuracy of payroll details on a monthly basis;
- ensure that the academy's accounting system is reconciled to the academy bank account on a monthly basis;
- produce a regular report for the Finance and Property Committee to indicate current financial position and forecasts;
- ensure termly reports are produced for all delegated budget fund holders;
- manage the voluntary fund account including annual audit;
- review and develop this Finance Policy on an annual basis and recommend changes as necessary in line with DfE/ESFA policy;
- maintain an inventory for all academy responsibility items;
- seek approval for and report on the disposal or write-off of stock;

- advise the Headteacher in respect of the academy's insurance requirements;
- ensure that all financial records are retained as required under the Records Retention Policy.

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

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

### **Financial limits of delegated authority**

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

Business Manager: £10,000

Budget holders are authorised to commit expenditure in line with their departmental plans and agreed budget allocations. Purchase orders must be completed and signed by the budget holder and the Business Manager before processing and entering on the academy financial management system (FMS). Where urgency requires a verbal order to be made, this should be confirmed by an official order as soon as possible and can be for no more than £1,000.

### **Accounting Systems**

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

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

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

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

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

### **Gifts and Hospitality**

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

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

### **Voluntary Fund**

The academy fund is managed on a daily basis by the Finance Officer, using ParentPay software. Financial viability of any visit/event is approved in advance by the Leadership and Management Team. Remission of charges for a visit/event can only be authorised if the student is on the free academy meals register or in exceptional circumstances by a member of the Leadership and Management Team.

## **Appendix 1 - FINANCIAL REGULATIONS MANUAL**

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

### **1. Introduction**

The purpose of this manual is to ensure that the academy maintains and develops systems of financial control which conform to the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of our Funding Agreement with the Department for Education and Skills (DfES).

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

### **2. Organisation**

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

#### **The Governing Board**

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

The main responsibilities include:

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

### **The Finance and Property Committee**

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

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

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

### **The Headteacher**

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

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

### **The Business Manager**

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

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

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

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

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

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

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

### **Other Staff**

Other members of staff, primarily the Finance Officers and budget holders, will have some financial responsibilities and these are detailed in the following sections of this manual. All staff are responsible for the security of academy property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the academy's financial procedures.

### **3. Register of Interests**

It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from the decisions they make. To avoid any misunderstanding that might arise all academy governors and staff with significant financial or spending powers are required to declare any financial interests they have in companies or individuals from which the academy may purchase goods or services. The register should include all business interests such as directorships, shareholdings or other appointments of influence within a business or organisation which may have dealings with the academy. The disclosures should also include business interests of relatives such as a parent or spouse or business partner where influence could be exerted over a governor or a member of staff by that person.

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

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

#### **4. Accounting system**

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

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

#### **System Access**

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

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

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

The Business Manager should also prepare a disaster recovery plan in the event of loss of accounting facilities or financial data. This should link in with the annual assessment made by governors of the major risks to which the academy is exposed and the systems that have been put in place to mitigate those risks.

## **Transaction Processing**

All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are included in the following sections of the manual.

All journal entries must be documented and authorised by the Business Manager prior to being input to the accounting system.

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

## **Transaction Reports**

The Business Manager will obtain and review system reports to ensure that only regular transactions are posted to the accounting system. The report obtained and reviewed will include:

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

## **Reconciliations**

The Business Manager is responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:

- sales ledger control account;
- purchase ledger control account;
- payroll control account;
- all suspense accounts, and
- bank balance per the nominal ledger to the bank statement.

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

## Development Plan

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

The form and content of the development plan are matters for the academy to decide but due regard should be given to the matters included within the guidance to academies and any annual guidance issued by the DfE.

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

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

The timetable will specify the deadlines for the completion of each of the key stages described above. Lead responsibility for the completion of each of the stages will be assigned by the Headteacher. The completed development plan will include detailed objectives for the coming academic year and outline objectives for the following two years. The plan should also include the estimated resource costs, both capital and revenue, associated with each objective and success criteria against which achievement can be measured.

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

## **Annual Budget**

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

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

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

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

The budgetary planning process will incorporate the following elements:

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

## **Balancing the Budget**

Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where cuts can be made. Reference to the Modeller (ICFP) should be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and

expenditure are in balance. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need.

### **Finalising the Budget**

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

### **Monitoring and Review**

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

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

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

### **Payroll**

The main elements of the payroll system are:

- staff appointments;
- payroll administration and payments.

### **Staff Appointments**

The Governing Board has approved an establishment staffing structure as set out in the academy's Pay Policy Changes can only be made to this establishment by the Governing Board following a recommendation from the Personnel & Student Wellbeing Committee in consultation

with the Finance and Property Committee (who must ensure that adequate budgetary provision exists for any establishment changes). If necessary, this can be delegated to the Chairs of those Committees and the Chair of the Governing Board.

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

### **Payroll Administration**

The academy's payroll is administered by Strictly Education until April 2025, and will then transition to EduPay by TES. Access to the system is password controlled. Password control procedures and backup arrangements are described in section two of this manual.

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

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

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

### **Payments**

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

All salary payments are made by BACS.

The payroll system automatically calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions. The amounts payable are summarised on the gross to net pay report. The Business Manager should select at least one employee at random each month and check the calculation of gross to net pay to ensure that the payroll system is operating correctly.

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

## 6. Purchasing

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

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

### Routine Purchasing

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

A supplier should be chosen from the list of approved suppliers maintained by the Finance Office. A quote or price must always be obtained before any order is placed. If the budget holder considers that better value for money can be obtained by ordering from a supplier not on the approved supplier list, the reasons for this decision must be discussed and agreed with the Business Manager.

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

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

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

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

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

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

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

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

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

### **Orders over £25,000**

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

## **7. Income**

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

The academy also obtains income from:

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

### **Visits**

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

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

Payments for visits are payable via ParentPay. The Finance Officer should maintain an up to date record for each student showing the amount paid and the amount outstanding. This record should be sent to the lead teacher who is responsible for chasing the outstanding amounts.

### **Sports Lettings**

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

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

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

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

## **8. Cash Management**

### **Bank Accounts**

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

## **Deposits**

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

- the amount of the deposit, and
- a reference, such as the number of the receipt or the name of the debtor.

## **Payments and withdrawals**

The majority of payments are made through Barclays Bank PLC directly using their on-line banking system via a five days BACS. All cheques and other instruments authorising withdrawal from academy bank accounts must bear the signatures of two of the following authorised signatories:

- Headteacher
- Business Manager
- Systems Manager
- Exams Officer

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

## **Administration**

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

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

## **Petty Cash Accounts**

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

## **Deposits**

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

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

## **Payments and Withdrawals**

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

## **Administration**

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

## **Physical Security**

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

## **Cash Flow Forecasts**

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

## **Investments**

Investments must be made only in accordance with written procedures set out in the Investment Policy approved by the Governing Board. All investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

## **9. Fixed Assets**

### **Asset register**

All items purchased with a value over the academy's capitalisation limit must be entered in an asset register. The academy trust will use the Every Asset management system for IT Assets.

The Asset Register should include the following information:

- asset description
- asset number
- serial number
- date of acquisition
- asset cost
- source of funding (% of original cost funded from DfES grant and % funded from other sources)
- expected useful economic life
- depreciation
- current book value
- location

The Asset Register helps:

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

### **Security of assets**

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

All the items in the Register should be permanently and visibly marked as the academy property and there should be a regular (at least annual) count by someone other than the person

maintaining the Register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to the Governing Board. Inventories of academy property should be kept up to date and reviewed regularly. Where items are used by the academy but do not belong to it this should be noted.

## **Disposals**

Items which are to be disposed of by sale or destruction must be authorised for disposal by the Business Manager and, where significant, should be sold following competitive tender. The academy must seek the approval of the DfES in writing if it proposes to dispose of a heritage asset.

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

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

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

## **Loan of Assets**

Items of academy property must not be removed from academy premises without the authority of the Head of Department. A record of the loan must be recorded in a loan book and booked back in academy when it is returned.

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

## Appendix 2 - Waddesdon Church of England School Scheme of Delegation

HT: Headteacher

BM: Business Manager

FO1: Finance Officer 1

FO2: Finance Officer 2

IA: Responsible Officer

RM: Restaurant Manager

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

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

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

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

Appendix 3.

