



Finance Policy

Approval of the Governing Body

This document is a statement of the aims, principles and strategies for:

Finance

at Lugwardine Primary Academy

It has been agreed and is supported by the teaching staff and the governing body

Signatures

Signatures

Mr R Foster Head Teacher



Mrs C Long Chair of Governors



Miss K Bythell Business Manager



Review Cycle	Annual
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Table of Contents

1. Legal framework	3
2. Roles and responsibilities.....	3
3. Financial oversight	6
4. Accounting	6
5. Budgeting	7
6. Income and expenditure	8
7. Borrowing and debt	9
8. Payroll	10
9. Purchasing, procurement and tendering	12
10. Related party transactions.....	12
11. Investment	15
12. Special payments	15
13. Risk management.....	16
14. Auditing accounts	17
15. Internal scrutiny	17
16. Leasing	19
17. Notices to improve.....	19
18. Self-assessment.....	19
19. Record keeping	20
20. Fraud and whistleblowing.....	20
21. Cyber-crime.....	22
22. Joining a MAT	22
23. Monitoring and review	22

Statement of intent

Lugwardine Primary Academy recognises that well-managed finances can maximise outcomes for pupils' education. We are dedicated to undertaking fair and reasonable financial planning for the benefit of the academy as a whole.

The trust has a duty to exercise regularity, propriety and value for money in the use of public money, and will ensure that members, trustees and staff always adhere to the stipulations of this policy in financial procedures and processes.

1. Legal framework

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

- ESFA (2022) 'Academy trust handbook 2022'
- ESFA (2022) 'Declare or seek approval for related party transactions: summary guidance'
- Data Protection Act 2018
- Academies Act 2010
- Companies Act 2006
- The UK General Data Protection Regulation (UK GDPR)

2. Roles and responsibilities

Responsibilities for different groups and individuals within the trust are set out in full throughout this policy and in the trust's Scheme of Delegation. This section highlights key responsibilities.

The members will be responsible for:

- Appointing new members by special resolution or removing existing members other than, where there is one, the foundation/sponsor body and any members it has appointed.
- Appointing trustees in line with the trust's Articles of Association.
- Where necessary, by special resolution, issuing direction to the trustees to take a specific action.
- Appointing the trust's auditors and receiving (but not signing) the trust's audited annual accounts.
- Conducting the business of the trust in accordance with company and charity law and adhering to the trust's funding agreement with the Secretary of State.

The board of trustees/governors will be responsible for:

- Applying the highest standards of conduct and governance and taking full ownership of its duties.
- Ensuring the board meets at least three times a year, and conducts business only when quorate.
- Approving a written scheme of delegation of financial powers.
- Managing conflicts of interests and related party transactions.
- Approving a balanced budget for the financial year and minuting the approval.
- Ensuring decisions about executive pay follow a robust evidence-based process reflecting the individual's role and responsibilities, and that the approach to pay is transparent, proportionate and justifiable.
- Appointing an audit and risk committee to advise on the adequacy of the trust's controls and risks.
- Submitting audited accounts to the ESFA by 31 December.

- Ensuring an appropriate, reasonable and timely response is given to findings by auditors.
- Appointing a governance professional.

The board of trustees will appoint a senior executive leader who may be appointed as a trustee – this will be the chief executive or equivalent. The board will also appoint a named individual as the trust's accounting officer – this will be the senior executive leader. The roles of senior executive leader and accounting officer will not rotate. Any newly appointed senior executive leader can only be a trustee if the members decide to appoint them as such, the senior executive leader agrees, and the Articles of Association permit it.

When the senior executive leader is planning to leave the trust, the board of trustees will approach the trust's Regional Director in advance to discuss the trust's structure and options, including plans for recruitment.

The headteacher will be responsible for:

- Acting as the trust's accounting officer.
- Reviewing this policy on an [annual](#) basis with the CFO.
- Preparing monthly management accounts with the CFO.
- Creating a fair and balanced budget with the CFO.
- Ensuring the trust's income is stored safely.
- Writing off debts that have been approved by the ESFA and the board of trustees.
- Ensuring budgetary control within approved budgets.
- Authorising contracts and orders up to the amount stated in the scheme of delegation and reporting all decisions to the board of trustees.
- Signing cheques and acting as the named debit card holder.
- Approving new staff appointments, except for senior staff positions.
- Making recommendations to the board of trustees regarding staff pay and contractual conditions, other than for members of the SLT.

The accounting officer will be responsible for:

- Assuring Parliament and the public of the trust's high financial standards with regards to public funds, particularly regularity, propriety and value for money.
- Providing oversight of financial transactions by:
 - Ensuring that the trust's property and assets are under the control of the trustees 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.
- Signing a statement on regularity, propriety and compliance annually and submitting it to the ESFA.
- Assuring compliance with the articles of association, funding agreement and the 'Academy trust handbook' (ATH) and advising the board in writing if it fails to act in accordance, or is non-compliant, with the funding agreement or handbook.
- Sharing the 'Dear Accounting Officer' letter with members, trustees, the CFO and the SLT, and arranging for the board to discuss it and take action where necessary to strengthen financial controls.
- Notifying the ESFA's accounting officer if the trust is in breach of its Articles of Association, funding agreement or the ATH and the board fails to follow their advice.
- Demonstrating how the trust has secured value for money.

The Business Manager will be responsible for:

- Reviewing this policy on an [annual](#) basis with the headteacher.

- Writing off any debt that has been approved by the ESFA.
- Issuing payment reminders for overdue accounts.
- Contacting individuals who have not paid an overdue account to inform them of the trust's formal procedure.
- Approving terms of credit and communicating these terms to all debtors.
- Preparing management accounts with the headteacher each [month](#).
- Accessing the trust's accounting system.
- Preparing the accounting annual report, ensuring it is in line with the Charity Commission's Statement of Recommended Practice (SORP).
- Maintaining CPD and undertaking relevant, ongoing training.
- Managing day-to-day financial issues, including the establishment and operation of the accounting system.
- Preparing management accounts every month, setting out the trust's financial performance and position in relation to the budget.
- Managing the trust's financial position at a strategic and operational level within the framework for financial control determined by the board of trustees.
- Drafting original and revised finance plans in cooperation with the headteacher.
- Maintaining the accounting records.
- Monitoring the budget on a monthly basis.
- Ensuring the monthly completion of bank, petty cash and other reconciliations is adhered to.
- Monitoring cash flow during the month.
- Acting as an authorised signatory for the purposes of signing cheques, certifying employee claims, etc.
- Managing and processing online payments and payroll, subject to approval by the appropriate authority.

Ensuring that proper checks and controls are in place to cover day-to-day activities in accordance with the financial regulations manual. The finance and audit committee will be responsible for:

- Reviewing the budget, central budget and three-year financial plan, as well as making recommendations to the board of trustees regarding these key documents.
- Monitoring expenditure and income against the budget and making any recommendations to the board of trustees.
- Reviewing the mandates for the operation of the trust's bank account and credit cards.
- Ensuring appropriate insurance arrangements are in place for the trust.
- Implementing appropriate accounting policies.
- Ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 1985 and related DfE guidance.
- Directing the trust's programme of internal scrutiny and reporting to the board on the adequacy of the trust's financial and other controls and management of risks.
- Ensuring that risks are being addressed appropriately through internal scrutiny.
- Reviewing the external auditor's plan each year.
- Reviewing the annual report and accounts.
- Reviewing the external auditor's findings and actions taken by the trust's managers in response to those findings.
- Assessing the effectiveness and resources of the external auditor to provide a basis for decisions by the trust's members about the auditor's reappointment or dismissal or retendering.
- Producing an annual report of the committee's conclusions to advise the board of trustees and members, including recommendations on the reappointment, dismissal or retendering of the external auditor, and their remuneration.

The ESFA will be informed within 14 calendar days (and supplied with direct contact details for the party in question) if the trust appoints or terminates the contract of:

- Members
- The accounting officer
- The CFO
- A chair of the board of trustees
- A trustee or governor

3. Financial oversight

The board of trustees will maintain robust oversight of the trust, taking full responsibility for its financial affairs, assets and resources; the board of trustees will always aim to maximise outcomes for pupils through its financial oversight.

The board of trustees will meet at least three times a year. The audit and risk committee will meet at least three times a year. In the event that the board of trustees meets less than six times in a year, it will explain in its governance statement how effective oversight of funds was maintained with fewer meetings.

The board will approve a written scheme of delegation of financial powers, delegating appropriate responsibilities to the relevant committees and individuals, while retaining robust financial oversight. The board will not delegate overall responsibility of the trust's funds, e.g. to committees or individuals, in any circumstance. The financial scheme of delegation will be reviewed annually, and immediately when there has been a change in the trust's management or organisational structure.

The board of trustees will delegate financial scrutiny and oversight to the finance committee, which can support the board in maintaining the trust as a going concern.

4. Accounting

Adequate accounting records will be maintained by the accounting officer at all times. The accounting officer will be responsible for ensuring that the accounts annual report is created in line with the SORP and the ESFA's Accounts Direction.

Every year, the accounts will be audited for the period ending on 31 August. The audited accounts will be:

- Submitted to the ESFA by 31 December each year.
- Published on the trust's website by 31 January.
- Filed with Companies House in accordance with company law requirements, usually by 31 May.
- Provided to every member.
- Provided to anyone who requests a copy.

Accountancy within the trust will be carried out on [Xero](#). All financial transactions will be recorded on this system. To protect the data stored within the system, only the CFO and headteacher will have access to it. The system will be password protected and the password will be changed every month, in line with the trust's Data Protection Policy. The trust will retain financial records for at least six years.

The trust is registered for VAT and is entitled to reclaim VAT on qualifying purchases through a monthly VAT return. Under legislation, VAT claims can be made on expenditure which supports the trust's core business purposes. A report is run by the CFO, in order to provide the data necessary for the completion of the VAT reclaim form.

VAT will be reclaimed on a monthly basis. The trust is eligible to reclaim the majority of VAT it pays on invoices from HMRC. Any invoices for which VAT cannot be reclaimed, as the purchases were for business activity, are identified and deleted. Where invoices relate partly to business activity and partly to non-business activity, only the proportion of the VAT relating to the non-business activity will be reclaimed. On receipt of the reclaimed VAT from HMRC, the CFO will review the remittance, confirm whether this equals the claim made and sign the remittance to confirm this agreement.

5. Budgeting

Setting the budget

The accounting officer is responsible for creating a fair and balanced budget, which will be approved by the board of trustees for the financial year to 31 August. The budget will be approved in writing – approval will be minuted and distributed to all relevant parties.

Budget forecasts for the current year and beyond will be accurately compiled and based on realistic assumptions in light of lessons learnt from previous years.

The budgetary planning process will incorporate:

- Forecasts of the likely number of pupils.
- A review of other income sources available to the trust.
- A review of past performance against budgets to understand the trust's cost base.
- An identification of potential efficiency savings.
- A review of the main expenditure headings in light of the development plan objectives.

Submitting the budget

The trust will submit to the ESFA a budget forecast return (BFR) each July.

This document will be approved by the board of trustees and all other relevant parties prior to the submission date.

The ESFA will be informed within 14 calendar days if a deficit revenue budget for the current financial year is being set.

Monitoring the budget

The CFO and headteacher will prepare management accounts every month; these accounts will set out the trust's financial performance and position and will include the following:

- An income and expenditure account
- A budget variance report
- Cash flow information
- A balance sheet

The management accounts will be shared with the chair of trustees every month and other trustees six times a year, even if the board does not meet within each of these months. Where the board does meet, management accounts will be considered and minuted.

The board of trustees will ensure appropriate action is taken to maintain financial viability. Where the board has concerns about financial performance, it will act quickly to ensure the trust has adequate financial skills in place.

The trust will ensure that key financial performance indicators are selected, and that its performance is measured against these regularly. The trust will ensure its budget is monitored in compliance with the [accounts direction](#).

The cash position of the trust will be managed in such a way as to avoid being overdrawn on any of its bank accounts. If the trust has any concerns regarding financial management, the ESFA may be informed.

6. Income and expenditure

The trust's main source of income is through grants received from the ESFA. The CFO will monitor the receipt of grants, ensuring that all grants due are appropriately collected.

The trust will set fees for its chargeable services at full cost. An additional rate of return will be applied when in a commercial environment.

The headteacher will be responsible for the management of income, subject to the provisions of the trust's scheme of delegation. Records of income will be detailed and maintained to include all income transactions that occur within the financial year. Receipts will be logged for all purchases and receipts will be issued for all services provided by the trust.

Terms of credit will be approved by the CFO and communicated to all debtors, and procedures will be adopted to deal with breaches of terms. Invoices will be raised with respect to credit income.

All income will be counted at [close of play](#) and will be stored in the [office safe](#). Income will not be held on the premises for longer than [one week](#).

The headteacher will bank income at the [end of every week](#) to ensure that no more than [£250](#) is left on the trust premises at any one time. The total sum to be banked will be written on a paying-in slip.

The headteacher will always ask for a receipt upon banking income and this receipt will be logged on the trust's accounting system.

There are two main areas of expenditure:

- **Salaries** – this forms the largest element of expenditure. Salaries of all staff members will be reviewed on an annual basis by the headteacher, with effect from [1 September](#) and no later than [31 October](#). Pay review recommendations are then given to the local governing board (or equivalent) for discussion and authorisation. The audit and risk committee confirms pay awards, incremental progression and performance led pay increases, all of which the CFO will cost, using known figures and estimates, when preparing the draft budget.
- **Premises maintenance** – a combination of maintenance surveys and historical costs will form the basis for planned maintenance. The CFO will incorporate an allowance for unexpected contingencies, as well as for any small new works which may be proposed in-year. Staff members will follow the procedure outlined in the Staff Handbook when requesting maintenance of premises or new work.

The CFO will keep an up-to-date record of the academy's income and expenditure.

The CFO will bank the entirety of any money collected in return for goods or services, such as a school trip, in the appropriate bank account.

The CFO is responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system. Reconciliations will be prepared promptly following the banking of money and will be reviewed and certified by the CFO.

The trust's funds will not be used to purchase alcohol for consumption, unless it is to be used in religious services.

When purchasing gifts, the trust will ensure the gift's value does not exceed £40, is within the scheme of delegation of financial powers and has due regard to propriety and regularity in the use of public funds in line with the Gifts, Hospitality and Anti-bribery Policy.

Any expenses claimed by members of staff will be reimbursed providing that:

- The expense is for travel by public transport.
- The expense is for petrol on trips exceeding 30 miles.
- The expense is for unavoidable overnight accommodation.
- The expense is for approved items bought on the trust's behalf.

For a reimbursement to be considered, members of staff will complete a reimbursement form and will produce a receipt of evidence of their expense.

If these conditions are not met, the trust has the right to refuse reimbursement.

7. Borrowing and debt

The trust will prepare and monitor financial plans to ensure ongoing financial health.

Prior approval will be obtained from the ESFA before borrowing from any source, where such borrowing will be repaid from grant monies or secured on assets funded by grant monies.

The trust's credit card will only be used for business expenditure; if any personal purchases are made on the trust's credit card, the trust will be reimbursed in full within one week of the purchase. Any repeat offending will be dealt with formally.

The trust will disclose aggregate figures for transactions of any amount and separate disclosure for individual transactions above £5,000 in its audited accounts for writing off debts and losses, as well as guarantees, letters of comfort and indemnities.

The CFO will contact individuals concerning any outstanding debts owed after 30 days of the notification of payment, e.g. an invoice being sent.

The CFO will issue payment reminders to those who have not made payments at the following intervals:

- 4 weeks from the invoice being sent – first reminder
- 6 weeks from the invoice being sent – second reminder
- 10 weeks from the invoice being sent – final reminder

If, after the final reminder has been sent, payment isn't received in full, the trust will send a letter informing them that, if they do not receive payment within 14 days, they will refer the matter to a small claims court.

The trust will obtain prior approval for the following transactions beyond the delegated limits outlined below:

- Writing off debts and losses
- Entering into guarantees or letters of comfort
- Entering into indemnities which are not in the normal course of business

The delegated limits are:

- 1 percent of total income, or £45,000 (whichever is smaller) per single transaction.

The CFO will keep accurate records of the debt process, including:

- Logging invoices and receipts on the trust's accounting system.
- Keeping any emails pertaining to debt collection for [three months](#) after the payment has been made.
- Keeping emails of payment notifications, ensuring each email clearly states the number of the reminder and the date it was sent.

Only the CFO or the headteacher can write off debt, following approval from the ESFA and the board of trustees.

8. Payroll

The trust's payroll encompasses staff appointments, processing administration and pension payments. The trust will act in accordance with the Teachers' Pay Policy and Support Staff Pay Policy when setting pay. Payroll will be notified of any staff absence using the [absence recording system](#).

The trust will ensure that its senior employees are exclusively on the payroll, and that payroll arrangements fully meet their tax obligations and comply with [HM Treasury's guidance](#) regarding employment and tax.

The trust will ensure its decisions about levels of executive pay (including both salary and benefits) follow a robust evidence-based process. Executive pay will be reasonable and defensible and reflective of the individual's role and responsibilities.

The board of trustees will discharge its responsibilities effectively, ensuring its approach to pay is transparent, proportionate and justifiable, and adheres to the following principles:

- **Process** – that the procedure for determining executive pay is agreed by the board in advance and documented.
- **Independence** – decisions about executive pay reflect independent and objective scrutiny by the board and conflicts of interest are avoided.
- **Robust decision-making** – factors in determining pay are clear, including whether performance considerations, including educational and financial performance, and the degree of challenge in the role have been considered.
- **Proportionality** – pay is defensible relative to the public-sector market and benefits represent good value for money.
- **Commercial interests** – ensuring the board is sighted on broader business interests held by senior executives, and is satisfied that payments made by the trust to executives in relation to such interests do not undermine the transparency requirements for disclosing pay in line with the Academies Accounts Direction.
- **Documentation** – the rationale behind the decision-making process, including whether the level of pay reflects value for money, is recorded and retained.

- **Equality** – 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.
- **Challenge** – an understanding that inappropriate pay can be challenged by the ESFA, particularly in any instance of poor financial management of the trust.

The trust will 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 trust enters into an off-payroll arrangement with an individual who is not an employee, the amount paid to that individual for their work will also be included in the website disclosure, where payment exceeds £100,000.

The names of trustees in receipt of remuneration and other benefits will also be disclosed, as well as details of the amounts involved in £5,000 bandings in the trust's financial statements.

To keep staff members' data secure, access to the payroll system will be restricted to the CFO and the headteacher. All paper records will be filed and stored in a locked cabinet in the [school office](#). All online records will be encrypted and password protected – the passwords will be changed every [month](#). The new password will be unique and will be changed by the headteacher.

The headteacher and CFO will be responsible for ensuring that:

- Payments are made only to bona-fide employees.
- Payments are in accordance with individuals' conditions of employment.
- Deductions, including income tax, national insurance and pensions, are properly administered.
- Payments are made only in respect of services provided to the trust.
- Amendments to the payroll are properly processed.

The CFO, in collaboration with the admin officer, will be responsible for keeping the staff personnel database up-to-date via the designated recording system. This will include the following information about staff members:

- Salary
- Bank account details
- Taxation status
- Personal details
- Any deductions or allowances payable

During the [Spring term](#) each year, the SLT will review staffing requirements for the following academic year and propose any changes. These proposals will be reviewed and approved by the finance committee.

The finance committee is responsible for authorising the following salary changes:

- Pay awards for support staff
- Staffing structure changes
- Performance related pay progression

The CFO will randomly select one employee each month and check the calculation of gross to net pay, in order to ensure that the payroll system is operating correctly.

The board of trustees will ensure that executive pay follows a robust evidence-based process and salaries are reflective of the individual's role and responsibilities.

9. Purchasing, procurement and tendering

The trust will ensure that:

- Spending has been for the purpose intended and there is probity in the use of public funds.
- Spending decisions represent value for money.
- Internal delegation levels exist and are applied.
- A competitive tendering policy is in place and applied, and the procurement thresholds in the Public Contracts Regulations 2015 and [Find a Tender](#) service are observed.
- Professional advice is obtained where appropriate.

The trust will conduct all procurement in line with the Tendering and Procurement Policy, where full details of the trust's processes can be found.

The trust will record all purchases made by members of staff on behalf of the trust. All purchases will be approved by the headteacher. All purchases will be logged on the trust's accounting system, including details of the following:

- The purchase order number
- Invoice reference numbers
- Total amount spent
- Whether the purchase has been paid for in full
- The amount left in the budget after the purchase

Any purchase must benefit the trust as a whole and must not be made for personal gain. The headteacher will assess each purchase to ensure that it is good value for money.

The trust will obtain prior approval from the ESFA for the following transactions:

- Acquiring a freehold of land or buildings
- Disposing of a freehold of land or buildings
- Disposing of heritage assets beyond any limits in the funding agreement for the disposal of assets generally

10. Related party transactions

The trust will be even-handed in their relationships with related parties by ensuring:

- Compliance with their statutory duties to avoid conflicts of interest, not accepting benefits from third parties, and declaring interests in proposed transactions or arrangements.
- A register of interest has been completed by all members, trustees and senior employees, and is kept up-to-date.
- No member, trustee or employee of the trust, nor any related individual or organisation, uses their connection to the trust for personal gain.
- All payments to trustees by the trust are permitted by the article of association or by authority from the Charity Commission.
- The Charity Commission approves payments to a trustee where there is a significant advantage to the trust.
- Any payment provided to the persons [outlined](#) in this policy satisfies the 'at cost' requirements.

All related party transactions will be reported to the ESFA in advance of transactions taking place on or after 1 April 2019, using the ESFA's [online form](#).

The ESFA's prior approval will be obtained, using the online form, for contracts and other agreements for the supply of goods or services to the trust by a related party agreed on or after 1 April 2019 where any of the following limits arise:

- A contract or other agreement exceeding £20,000
- A contract or other agreement of any value that would take the total value of contracts and other agreements with the related party beyond mean the cumulative value of contracts and other agreements with the related party exceeds, or continues to exceed, £20,000 in the same financial year ending 31 August

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

When completing the ESFA's online form, all the information required to complete the form will be collected – it is not possible to partially complete a form and then return to it.

The following information is needed to create a record for the supplier:

- The name of the supplier
- The supplier's address
- The supplier's company number which can be found using the [Companies House website](#) (for limited companies)
- The statement which best describes the relationship between the supplier and the trust
- Confirmation that the supplier is listed on the trust's register of interests
- Confirmation that the trust has a statement of assurance from the supplier
- Confirmation that the trust has an open-book agreement with the supplier

The following information is needed for a related party transaction:

- A short description of the goods or services
- Details of the proposed cost
- The start and end date of any contract or agreement

When seeking prior approval for a related party transaction, evidence including the following is required:

- How the trust agreed to the related party transaction
- That the trust followed its Tendering and Procurement Policy
- That the trust tested the market before making a decision
- How the trust managed any conflicts of interest
- A copy of the agreement and proposed contract

The board of trustees and accounting officer will manage personal relationships with related parties to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with the seven principles of public life.

The chair of trustees and the accounting officer will ensure their capacity to control and influence does not conflict with requirements.

The trust recognises 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 the board and the accounting officer.
- Payments to organisations with a profit motive, as opposed to those in the public or voluntary sectors.
- Relationships with external auditors beyond their duty to deliver a statutory audit.

The trust will keep up-to-date records and make sufficient disclosures in their annual accounts to show accordance with the high standards of accountability and transparency required within the public sector.

Declared Conflicts of Interest Register

The trust's Declared Conflicts of Interest Register will include all business and pecuniary interests, including:

- Directorships, partnerships and employments with businesses.
- Trusteeships and governorships at other educational institutions and charities.
- For each interest: the name of the business; the nature of the business; the nature of the interest; and the date the interest began.
- Any other interests deemed relevant by the board of trustees.

The register of interests will identify any relevant material interests from close family relationships between the trust's members, trustees and governors. It will also identify relevant materials arising from close family relationships between those individuals and employees.

Relevant business and pecuniary interests of members, trustees, governors and the accounting officer will be published on the trust's website.

'At cost' requirements

The trust will not pay more than 'cost' for goods or services ('services' do not include contracts of employment) provided to it by the following persons:

- Any member or trustee of the trust.
- Any individual or organisation related to a member or trustee of the trust. For the purpose of this policy, the following persons are classed as related to a member or trustee:
 - A relative of the member or trustee, i.e. a close member of the family, or member of the same household, who may be expected to influence, or be influenced by, the person.
 - An individual or organisation carrying out business in partnership with the member, trustee or a relative of the member or trustee.
 - A company in which a member or the relative of a member, and/or a trustee or the relative of a trustee, holds more than 20 percent of the share capital or is entitled to exercise more than 20 percent of the voting power at any general meeting of that company.
 - An organisation which is controlled by a member or the relative of a member and/or a trustee or the relative of a trustee.
- Any individual or organisation given the right under the trust's Articles of Association to appoint a member or trustee of the trust; or any body connected to such individual or organisation.
- Any individual or organisation recognised by the Secretary of State as a sponsor of the trust; or any body connected to such individual or organisation.

A body will be considered 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 percent of the share capital (or equivalent interest).
- Having the equivalent right to control management decisions of the body.
- Having the right to appoint or remove a majority of the board of governing board.

The 'at cost' requirement does not apply to the trust's employees unless they meet any of the [related party criteria](#) outlined in this policy. Where any staff that meet this criteria are based in, or work from the premises of, the trust, the individual and the headteacher will agree on the

appropriate sum to be paid to the trust for such use of the premises, save to the extent that they are carrying out work for the trust.

The 'at cost' requirement applies to contracts for goods and services from a related party exceeding £2,500, cumulatively, in any one financial year, agreed on or after 7 November 2013. For these purposes, where a contract takes the trust's cumulative annual total with the related party beyond £2,500, the element above £2,500 will be at no more than cost.

Where an organisation has provided legal advice or audit services to the trust, the 'at cost' requirement will apply where the organisation's partner directly managing the service is a member or trustee of the trust.

The trust will ensure that any agreement with an individual or organisation referred to in the related party criteria to supply goods or services to the 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 trust confirming their charges do not exceed the cost of the goods or services.
- On the basis of an open book agreement including a requirement for the supplier to demonstrate clearly, if requested, that their charges do not exceed the cost of supply.

The cost will be the 'full cost' of all the resources used in supplying the goods or services and will not include any profit. Full cost includes:

- All direct costs, i.e. the costs of any materials and labour used directly in producing the goods or services.
- Indirect costs, i.e. a proportionate and reasonable share of fixed and variable overheads.

11. Investment

Where the trust invests in its charitable aims, investment risk will be properly managed. When considering an investment, the board of trustees will:

- Act within its powers to invest as set out in its articles.
- 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 that exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximisation.
- Ensure that investment decisions are in the best interests of the trust.
- Review the trust's investments and Reserves and Investment Policy regularly.

The trust will adhere to the Charity Commission's [guidance](#) and seek prior approval from the ESFA for investments of any value that are novel, contentious or repercussive. The trust will carefully consider the impact of this requirement and its relevance to transactions involving the chair of the board and the accounting officer.

12. Special payments

For the purpose of this policy, special payments include:

- Special staff severance payments.
- Compensation payments.

- Ex gratia payments.

Where the trust considers making a special staff severance payment above statutory or contractual entitlements, the following factors will be considered prior to making the commitment:

- The proposed payment is in the interest of the trust
- The payment is justified, based on legal assessment of the chances the trust will successfully defend the case at an employment tribunal; if there is a significant chance the trust will lose the case, a settlement may be justified, but if there is a significant chance it will be successful, a settlement will not be offered.
- Where a settlement is justified, the level of settlement is less than the legal assessment of what the relevant body will award.

The trust will not make severance payments where the money could be interpreted as a reward for insubordination or failure; the only instance in which the trust may offer severance payments in the event of gross misconduct would be where the claimant would be likely to succeed in an employment tribunal because of procedural or legal errors.

Where the trust is considering paying a staff severance payment of £50,000 and above, prior approval will be sought from the ESFA. The ESFA will refer the transaction to HM Treasury so the trust will allow sufficient time for these considerations to take place.

The trust will show value for money for all severance payments.

The trust will also obtain prior approval from the ESFA before making a 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 £100,000.

Compensation payments will take account of the facts of the matter ensuring value for money is achieved. For compensation payments worth £50,000 and above, prior approval from the ESFA will be sought. The trust will consider whether cases reveal concerns pertaining to the effectiveness of internal control.

Ex gratia payments will always be referred to the ESFA for prior approval.

13. Risk management

The trust will manage risks to ensure its effective operation. The management of risks will include contingency and business continuity plans and cover the full operations and activities of the trust, not only financial risks.

Overall responsibility for risk management will be retained by the board of trustees, who will draw upon advice provided by the audit and risk committee, and any other committees where appropriate and relevant.

The trust will maintain a risk register. The board of trustees will review the risk register annually.

The trust will have adequate insurance cover in compliance with its legal obligations or will become a member of the academies [risk protection arrangement](#). The trust will cooperate with risk management auditors and risk managers and will implement any reasonable recommendations made.

14. Auditing accounts

In line with the Companies Act 2006, the trust will appoint an external auditor to give an opinion on whether the annual accounts present a true and fair view of the trust's financial performance and position.

The contract with the external auditor will be in writing and be accompanied by a letter of engagement that only covers the details of the external audit including the requirements of the DfE. Where additional services are purchased, the trust will obtain a separate letter of engagement specifying the work and the fee.

The contract with the external auditor will be retendered at least every five years.

The letter of engagement will include the details of the removal of external auditors, before the expiry of the term of office, in exceptional circumstances. External auditors will only be removed by majority vote of the members, who will provide a reason for their decision to the board.

The board of trustees will notify the ESFA immediately of the removal or resignation of auditors. If an auditor is removed, the ESFA will be informed of the reasons. If an auditor resigns, the trust will send the ESFA a copy of the auditor's explanation. A change in auditor at the expiry of the agreed term of office does not require notification.

The trust will carry out an audit to manage risk and to check controls; the results of the audit will inform the accounting officer's statement on regularity, propriety and compliance.

The accounting officer will produce a statement on regularity, propriety and compliance which will be included in the trust's annual accounts. The statement on regularity, propriety and compliance will ensure that:

- There is efficient and effective use of resources in their charge.
- Public money is spent for the purposes intended by parliament.
- Appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under their control.

The trust will respond promptly, reasonably and appropriately to any findings by the auditors.

Accounts will be audited in line with the ESFA's accounts direction and the SORP.

Audited report and accounts will be submitted to the ESFA by the 31 December every year following the end of the financial year, and will be filed with Companies House under company law, usually by 31 May. The results of the trust's audit will be published on the trust website by 31 January and will be made available to anyone who has requested a copy.

All copies of the accounting audit will be stored and filed securely, in line with the UK GDPR and the Data Protection Act 2018.

The trust will include an annual skills and experience assessment, including a review of the board's composition in terms of skills, effectiveness, leadership and impact.

15. Internal scrutiny

The trust will utilise a programme of internal scrutiny to provide independent assurance that financial and non-financial controls, and risk management procedures, are operating effectively. The internal scrutiny programme of work is directed by the audit and risk committee.

As prescribed by the ATH, internal scrutiny will focus on:

- **Evaluating** the suitability of, and level of compliance with, financial and non-financial controls, including assessing whether procedures are designed effectively and efficiently, and checking transactions to confirm whether agreed procedures have been followed.
- **Offering advice and insight** to the board on how to address weaknesses in financial and non-financial controls and acting as a catalyst for improvement, but without diluting management's responsibility for the day-to-day management of the trust.
- **Ensuring all categories of risk** are adequately identified, reported and managed.

The trust will identify, with reference to its risk register, the areas of risk it will review each year, modifying checks accordingly.

Internal scrutiny will:

- Be independent and objective, e.g. will not be performed by the trust's accounting officer or any other member of the finance team.
- Be conducted by someone suitably qualified and experienced and able to draw upon technical expertise when required.
- Be covered by a scheme of work that is driven and agreed by the audit and risk committee, and informed by risk.
- Be timely, with the programme spread appropriately over the year so higher risk areas are reviewed in a timely manner.
- Include regular updates to the audit and risk committee which include:
 - Recommendations to enhance financial and non-financial controls and risk management.
 - A short annual summary report for each year ended 31 August outlining the areas reviewed, key findings, recommendations and conclusions – this will allow the audit and risk committee to consider any necessary actions and assess year-on-year progress.

To ensure suitable internal scrutiny, auditors will be members of a relevant professional body, and trustees and peer reviewers will have qualifications and experience in finance, accounting or audit.

The trust will utilise one or more of the following internal scrutiny methods as deemed appropriate by the audit and risk committee:

- Employing an in-house internal auditor
- A bought-in internal audit service from a firm, other organisation or individual with professional indemnity insurance.
- The appointment of a non-employed trustee.
- A peer review by the CFO from another trust. The trust will ensure that the trust supplying the reviewer has a good standard of financial management and governance, and will minute the basis for its decision.

Those carrying out checks will report directly to the audit and risk committee. Findings will be promptly made available to all trustees.

The trust will keep its approach to internal scrutiny under review. If the trust changes in size, complexity or risk profile, the approach will be promptly reviewed. The trust will confirm in its governance statement which of the internal scrutiny options has been applied and why.

The trust will submit its annual summary report of the areas reviewed, key findings, recommendations and conclusions to the ESFA by 31 December each year when submitting the audited annual accounts. If the trust uses additional individuals or organisations where specialist non-financial knowledge is required, their findings, recommendations and conclusions will be reflected as part of the summary document submitted to the ESFA. The trust will also provide the ESFA with any other internal scrutiny reports if requested to do so.

16. Leasing

For the purpose of this policy, there are two types of lease:

- Finance leases – a form of borrowing
- Operating leases – not a form of borrowing

The trust will obtain prior approval from the ESFA for the following lease transactions:

- Taking up a finance lease on any class of asset for any duration from another party.
- Taking up a leasehold or tenancy agreement on land or buildings from another party for a term of seven or more years.
- Granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party.

Any lease will maintain the principles of value for money, regularity and propriety.

17. Notices to improve

If the trust becomes subject to a Notice to Improve (NtI), it will be notified by the ESFA of the date of which the NtI has been published. The trust will then publish the NtI on its website within 14 days of it being issued and retain it on the website until the NtI is lifted by the ESFA.

If the trust is under a NtI, the following transactions must be approved by the ESFA:

- 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

If the ESFA intervenes because of concerns over financial management and/or governance, the trust may be required to submit additional information such as monthly income and expenditure accounts, cash flow statements and balance sheets.

The trust will remove a member or trustee when directed to do so by the Secretary of State.

18. Self-assessment

The trust will complete the '[School resource management and self-assessment tool](#)' and submit its completed checklist to the ESFA by the specified annual deadline.

The trust will ensure that external reviews of governance are also conducted routinely as part of its programme of self-assessment. Reviews will consider the interaction between members and trustees, including the extent to which members are able to assure themselves that the trustees undertake their duties effectively.

19. Record keeping

All financial transactions of the trust will be recorded including, but not limited to, the following:

- Purchases and tenders
- Returns
- Payroll
- Cash flow
- Income and expenditures
- VAT returns

The CFO will be responsible for keeping up-to-date records of the trust's financial state.

The CFO will be responsible for keeping up-to-date records in relation to the finances of their academy.

Records will include the following information:

- Income and expenditure; identifying which transactions were cheques and which were cash payments
- The income and expenditure for each activity, with the activity recorded as a budget heading
- A balance sheet which identifies total income, expenditure and the balance for each budget heading
- The total income and expenditure for the year
- The balance and carry forward from the previous year
- Identified profit and loss – any causing concern is investigated

Each academy has its own set of financial records for day-to-day operational purposes and budget management.

A record will be kept of all the monies kept on the premises prior to banking, as well as the amount which is kept as petty cash. All financial records will be kept securely in each academy's [admin office](#).

ESFA investigations

The trust will be prepared for the possibility that the ESFA or its agents may carry out audits and investigations of the trust, during which the trust must provide access to all its books, records, information, explanations, assets, premises and staff. The ESFA may conduct interviews during its audits and investigations.

Where the ESFA has concerns about the trust's financial management, the trust will provide the ESFA with written authority giving permission for third parties to provide information to the ESFA, where the ESFA considers this relevant for the purposes of its investigation.

20. Fraud and whistleblowing

The trust is aware of the risk of fraud theft and irregularity and will put into practice proportionate controls, e.g. regular inspections, to address the risk.

Where instances of fraud, theft or irregularity are suspected or identified, the trust will investigate them promptly and, should any evidence of fraud be found, take appropriate action.

In any instance of fraud, theft or irregularity exceeds £5,000 in a financial year, the board of trustees will report it to the ESFA as soon as they become aware of it.

When reporting to the ESFA on instances of fraud, theft or irregularity, the trust will include the following information:

- Full details of the event(s) with all key dates
- The financial value of the loss
- The measures taken by the trust to prevent recurrence
- Whether the matter was referred to the police and, if not, the reasoning
- Whether the insurance or the risk protection agreement has offset any loss

If a member of staff suspects their colleagues are involving them in matters of fraud, they have a duty as an employee of the trust to raise suspicions to a member of the SLT.

The trust will treat any reports of fraud in a fair and unbiased manner, adopting an innocent until proven guilty approach.

If the report of fraud is against a member of the SLT, the member of staff can go directly to the chair of trustees.

The SLT will be responsible for the initial enquiries of fraud, theft or irregularity. They will then pass on their findings to the board of trustees for further investigation.

Upon receiving the SLT's initial findings, the board of trustees will:

- Determine whether further investigation is warranted.
- Determine the initial response to the alleged perpetrator when this is a member of school staff.
- Determine who will carry out the investigation.
- Determine which outside agencies should be involved.
- Assess the risk of the fraud and the perpetrator to the trust.
- Determine to whom day-to-day management of the response will be given.
- Allocate responsibility for damage limitation action.
- Determine the course of action to recover losses.
- Determine the course of action to be taken against the perpetrator.
- Evaluate the events which enabled the fraud to occur.
- Ensure preventative action is taken to prevent recurrence.
- Reporting any excessive fraud (over £5,000) to the ESFA.

The trust has a Whistleblowing Policy in place which outlines the procedures to follow in the event of a report being made by a member of staff, as well as the appeals process and what can be done in the event of a whistle-blower being treated unfairly.

The Whistleblowing Policy is published on the trust's website.

The trust will ensure all members of staff are aware of the Whistleblowing Policy, ensuring that they understand the process of reporting a concern and what they can expect from the trust once they have brought a concern to the attention of the trust.

21. Cyber-crime

The trust will ensure that it is aware of the risk of cyber-crime, and has put in place proportionate controls to mitigate the risk of cyber-security incidents and appropriate actions that can be taken in the event that a cyber-security incident occurs.

The trust will not pay any ransom demands during a ransomware attack under most circumstances, and will avoid encouraging, condoning or endorsing the payment of ransom demands. The trust will only pay ransom demands following approval from the ESFA.

22. Joining a MAT

If the trust decides to join an MAT, the trust will complete a financial management and governance self-assessment and submit it to the ESFA in accordance with financial management and governance self-assessment (FMGS) guidance.

23. Monitoring and review

This policy will be reviewed annually by the CFO and the headteacher, and approved by the board of trustees.

Any changes to the policy will be made, and communicated to all members of staff, by the CFO.