



FINANCIAL REGULATIONS

2023-24

Responsibility

Executive Team Member: Chief Finance Officer (CFO)
Together with: Trust Board

Aim

The Financial Regulations set out responsibility for Finance within the Heart of Mercia Multi Academy Trust (The Trust), and the financial guidelines to be followed by the Board and staff. The objective of these regulations is to provide the Trust with a sound basis upon which it may conduct its internal financial arrangements.

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1. Introduction

1.1 Background

- 1.1.1 The Financial Regulations set out responsibility for Finance within the Trust, and the financial guidelines to be followed by all the Board and staff. The objective of these regulations is to provide the Trust with a sound basis upon which it may conduct its internal financial arrangements. Detailed procedures to be followed by staff are set out in separate procedures manuals.
- 1.1.2 The Trust was formed on 1st April 2019. The structure of governance is laid out in the Instrument and Articles of Government.
- 1.1.3 The Board are responsible for the financial affairs of the Trust and have delegated responsibility to the Finance and Resources Committee, and for governance and audit matters to the Audit Committee. A Remuneration Committee has been set up to advise the Board of Directors on the remuneration of Senior Postholders.
- 1.1.4 The Board have delegated detailed management of the Trust to the Chief Executive Officer (CEO), who is the Accounting Officer. They will be bound by the Instruments and Articles of Government and the Financial Regulations.
- 1.1.5 The Funding Agreement between the Education and Skills Funding Agency (ESFA) and the Trust sets out the terms and conditions on which the grant is made. The Trust is responsible for ensuring that conditions of grant are met and the Trust has sound systems of financial and management control. As part of this agreement, the Trust must comply with the Academy Trust Handbook and Academies Accounts Direction. The Financial Regulations form part of this overall system of accountability.
- 1.1.6 The Trust is an exempt charity for the purposes of the Charities Act 2011. The Trust is a company limited by guarantee. It was formed on 28 November 2016 prior to the Trust conversion. The company number is 10499174.

1.2 Terminology

Trust

Heart of Mercia Multi Academy Trust

Board of Directors or the Board

The body ultimately responsible for the affairs of the Trust.

Finance and Resources Committee

The Committee of the Board of Directors with delegated responsibility for financial matters.

Audit Committee

The Committee of the Board of Directors with delegated responsibility for Audit and Governance.

ESFA

Education and Skills Funding Agency (ESFA) was formed in April 2017 and brings together the former responsibilities of the Education Funding Agency (EFA) and the Skills Funding Agency (SFA), creating a single funding agency accountable for funding education and training for children, young people, and adults.

Secretary of State

The Secretary of State for Education.

Chief Executive Officer (CEO)

The person with the ultimate executive responsibility for the management of the Trust. The CEO is the Accounting Officer to the ESFA.

Senior Postholders

Holders of Senior Posts as determined by the Instrument and Articles of Government and such others as the Board shall from time to time determine. Presently, they are the:

- CEO,
- the Principals at:
 - Hereford Sixth Form College,
 - Worcester Sixth Form College,
 - King Edward VI College, Stourbridge
- the Headteachers at:
 - The Chantry School
 - John Kyrle High School,
- the Chief Finance Officer (CFO),
- and the Director of Governance.

Chief Finance Officer (CFO)

The Officer with responsibility for the management of the financial affairs and operations of the Trust.

Budget Holder

Any member of staff who has been assigned a budget to manage whether capital or revenue.

Local Principals / Headteachers

The person with executive responsibility for the management of each college / school / partner within the Trust.

Executive Management Group

A group of senior staff from each college / school / partner responsible for delivering the Trust's strategic objectives and associated operational issues.

Line Manager

A member of staff with management responsibility for other staff members.

Auditor

A person or organisation appointed to examine and certify accounts, review records and systems to verify accuracy, help to prevent and detect fraud and advise on efficiency and value for money, where appropriate.

Budget

The annual plan or forecast of the Trust set out in financial terms, and approved by the Board.

Budget Virement

The approved transfer of budget from one budget head or cost centre to another.

Capital Asset

Expenditure on assets which are 'capitalised' normally relates to land, property, furniture, or equipment which has a life of more than one year, and a purchase price in excess of specified limits.

Capital Project

The development of an asset requiring significant financial input, for example, a major building project. This is normally the subject of ESFA assistance and specific accounting requirements.

Funding Agreement

The contract(s) between the ESFA and the Trust signed on behalf of the Trust by the CEO.

Student Representative Council (Student Union)

The association of students formed to further the educational purposes of each college / school / partner and the interests of students, and affiliated to the National Union of Students.

2. Financial Regulations

2.1 General

- 2.1.1 The Financial Regulations set out the responsibility for financial management within the Trust. They translate into practical guidance regarding the Trust's broad policies relating to financial control.
- 2.1.2 The Financial Regulations are subordinate to the Trust's Instrument and Articles of Government and other applicable statutes and to any restrictions contained within the Trust's Funding Agreement with the ESFA. The Trust should also observe further requirements set out in ESFA circulars, the Academy Trust Handbook, and the Academies Accounts Direction. The Regulations apply to the Trust and to any subsidiary companies or joint venture arrangements into which it enters.
- 2.1.3 Compliance with the Financial Regulations is compulsory for all staff connected with the Trust. A member of staff who fails to comply with the Financial Regulations may be subject to disciplinary action under the Trust's disciplinary policy. Any such breach will, where appropriate, be notified to the Board of Directors through the Audit Committee.
- 2.1.4 It is the responsibility of the Local Principals / Headteachers to ensure that line managers and their staff are made aware of the existence and content of the Financial Regulations and their public availability on portals, websites and hard copies, where appropriate.
- 2.1.5 The Finance and Resources Committee is responsible for periodically reviewing the Financial Regulations and advising the Trust of any additions or changes necessary. Ultimate responsibility for ensuring compliance with the Financial Regulations rests with the CEO in their position as Accounting Officer.
- 2.1.6 The Trust's detailed financial procedures set out precisely how the Financial Regulations will be implemented and are contained in separate manuals, copies of which are held in each local Finance Department.

2.2 Financial Limits & Authorities

- 2.2.1 Financial limits and authorities referred to throughout this document are set out in the following Scheme of Financial Authorities, which will be reviewed periodically by Finance & Resources Committee:

Accounting Policies and Delegated Financial Authorities (Scheme of Financial Authorities)

Section Reference	Section Heading	Details	Authority or Condition	Limit(s)	Previous Limit
4.5	Depreciation	Writing down rates per annum	Buildings – Fixed Buildings – Mobile Equipment Computers Furniture & Fittings Vehicles Major Equipment (e.g. Lift) Photovoltaic panels & related equipment	2% - 50 years 10% - 10 years 10% - 10 years 25% - 4 years 10% - 10 years 15% - 20% - 5 - 7 years 5% - 20 years 4% - 25 years Other at CFO's discretion	
7.3	Budgets	Budgetary variations / virement	CEO / Principal / Headteacher / CFO Finance & Resources Committee	Under £40k Over £40k	
8.2	Bank	Cheques, Direct Debits & Standing Orders, Online payment of suppliers – BACS	- CEO - CFO - Deputy CFO - MAT Accountant - Finance Manager	Up to £40,000, any two Over £40,000, any three	
8.3.1	Petty Cash Central	Central Imprest	CFO / Deputy CFO	Normal limit £1,000, exceptional limit for College Fund year-end repayments £10,000 (Hereford)	

Section Reference	Section Heading	Details	Authority or Condition	Limit(s)	Previous Limit
		Transactions with authorised vouchers	Finance Manager	Normal limit up to £30, exceptionally up to £500 per transaction or series of transactions	
		As above	CFO / Deputy CFO	Up to £1,000 any one transaction	
8.3.2	Petty Cash Departmental	Departmental Imprest Limit	Nominated budget holder, approved by CFO	Imprest limit £100 Transaction limit £20	
9.	Treasury Management	Loan Consent limits – Secured Loan for Capital Project	Per Funding Agreement and Section 5.33 of the Academy Trust Handbook 2023 – require ESFA Approval Board of Directors to approve	ESFA prior approval required – only granted in exceptional circumstances	
		Loan Consent limit – unsecured	As above	As above	
		Overdraft	As above	As above	

Section Reference	Section Heading	Details	Authority or Condition	Limit(s)	Previous Limit
		Bank Balances / Investments	Current Account Surplus balances in at least two other approved "A" rated institutions. Responsibility of CFO	Sufficient to cover current expenditure. Temporary current account surplus in investment account as below. Limit per institution £500k + accumulated interest.	
10.3	Debtors & Losses	Write off, any one transaction or group of related transactions (subject to a £250k ceiling)	CFO / Deputy CFO / Local Principals / Headteachers	£3,000	
			CEO – reported to Finance and Resources Committee	Over £3,000	

Section Reference	Section Heading	Details	Authority or Condition	Limit(s)	Previous Limit
		Writing off debts and losses Entering into guarantees, indemnities or letters of comfort	Section 5.19 of the Academy Trust Handbook 2023 – require ESFA Approval	ESFA consent required if transactions: <ul style="list-style-type: none"> • Exceed 1% of annual income or £45k individually; or • 2.5% of total annual income if Trust has not submitted timely, unqualified accounts for previous two years (maximum of £250k). • or 5% of total annual income if Trust has submitted timely, unqualified accounts for previous two years (maximum of £250k). 	
12.1	Purchasing	Purchasing decisions	Prior approval of the Finance and Resources Committee	Over £100k	
		Tendering requirements, per item or group of related items	Lower Limit Reasonable Source with quotation	Up to £10,000	Up to £3,000
			Median Limit Minimum 3 quotations	£10,001 to £99,999	£3,001 to £40,000

Section Reference	Section Heading	Details	Authority or Condition	Limit(s)	Previous Limit
			Higher Limit Tenders required	Over £100,000	Over £40,000
12.2.1	Purchasing	Authorisation of Orders	Local Principals / Headteachers / CFO	Up to £40,000	
			CEO only	In excess of £40k (Expenditure over £40k will be reported to the Finance and Resources Committee in the monthly Finance Report)	
12.4	Leasing	Taking up a finance lease Taking up a leasehold on land and buildings Granting a lease on land and buildings	Section 5.25 of the Academy Trust Handbook 2023 – require ESFA Approval Board of Directors approval	Any / all such transactions	
		Taking up any other lease	CFO / Deputy CFO / Local Principals / Headteachers / CEO Board of Directors	Up to £50,000 Over £50,000	
13.	Capital Projects	Major / Minor Capital Works Authorisation	Finance and Resources Committee and Board of Directors	Minimum value of individual scheme from £50,000 and as determined by scheme requirements	

Section Reference	Section Heading	Details	Authority or Condition	Limit(s)	Previous Limit
		Contracts / Orders	CEO / Local Principals / Headteachers	Value of scheme as approved by Board of Directors.	
		Variations to Contract (supported by written and authorised variation order)	Local Estates Manager	Up to £3,000	
			Local Principals / Headteachers	£3,001 to £30,000, or 2% of scheme, whichever is the lesser	
			CEO & countersigned by Chair of Board of Directors	Over £30,000 or over 2% of scheme	
14.4	Expenses Claims, Maximum limits	Mileage, per return trip	Dependant on claimant Staff = Head of Department Head of Department = member of Local Senior Management Team Local Principal / Headteacher = CEO or Chair CEO = Chair or Vice-Chair of Trust	Car - 45p per mile up to 10,000 miles then 25p thereafter Motorbike – 25p per mile Cycle – 20p per mile	
		Alcohol	N/A	No reimbursement will be made for the purchase of alcohol	
		Lunch, per day	Actual expenditure, subject to maximum, authorised as above.	£10 (max) Based upon the production of receipts	

Section Reference	Section Heading	Details	Authority or Condition	Limit(s)	Previous Limit
		Dinner, per day	As above	£20 (max) Based upon the production of receipts	
		Overnight stay, per night	As above	£100 (max) Based upon the production of receipts	
		Out of pocket expenses, per trip	As above	£10 (max) Based upon the production of receipts	
		Other expense values	Discretion of Local Principals / Headteachers / CFO	Based upon the production of receipts	
17.1	Asset Register	Recording of Inventory Assets	Local Finance Department	Portable items up to £1,999 at CFO's discretion	
		Capitalisation of Assets	Local Finance Department	£2,000 or over and life of more than one year	
		Acquiring a freehold on land and buildings	Section 5.23 of the Academy Trust Handbook 2023 – require ESFA Approval Approval by Board of Directors	All freehold land or building transactions.	
17.4	Disposal of Assets	Disposal Authority (not land, buildings, or heritage assets)	Local Principals / Headteachers / CFO	Written down value up to £5,000	

Section Reference	Section Heading	Details	Authority or Condition	Limit(s)	Previous Limit
			Countersigned by Chairman of Board of Directors	WDV over £5,000	
		Disposal of a freehold on land and buildings	Section 5.23 of the Academy Trust Handbook 2023 – require ESFA Approval Approval by Board of Directors	All freehold land or building transactions.	
		Disposal of heritage assets	Section 5.23 of the Academy Trust Handbook 2023 – require ESFA Approval Approval by Board of Directors	All disposals of heritage assets	
23.	Insurance	Excess	CFO / CEO	Per insurance schedule	

Section Reference	Section Heading	Details	Authority or Condition	Limit(s)	Previous Limit
28.	Novel, contentious, and repercussive transactions	<p>Novel transaction – the Trust has no prior experience of or is outside the range of normal business activity</p> <p>Contentious transaction – might give rise to criticism of the trust by Parliament, the public or media</p> <p>Repercussive transaction – likely to cause pressure on other trusts to take a similar approach and hence have wider financial implications</p>	<p>Section 5.6 of the Academy Trust Handbook 2023 – require ESFA Approval</p> <p>Approval by Board of Directors</p>	Any such transactions	
29.	Special Payment	<p>Special payments are transactions that fall outside of the Trusts' planned range of activities. They are non-statutory or non-contractual and so are subject to greater control than other payments. They include:</p> <ul style="list-style-type: none"> • staff severance payments • compensation payments • ex gratia payments 	<p>Section 5.7 of the Academy Trust Handbook 2023 – require ESFA Approval</p> <p>Approval by Board of Directors</p>	<p>Staff severance and compensation - ESFA agreement required if payment is £50,000 or more before tax.</p> <p>Ex-gratia payments – ESFA agreement required</p>	

3. Financial Responsibilities

3.1 The Trust

3.1.1 The responsibilities of the Board of Directors are defined in the Instrument and Articles of Government, and in the Funding Agreement between the ESFA and the Trust.

The financial responsibilities of the Trust include:

- ensuring the solvency of the Trust and the safeguarding of the Trust's assets;
- plan and conduct its financial and academic affairs so that its total income is not less than sufficient, taking one year with another, to meet its total expenditure;
- appointing, grading, suspending, dismissing and determining the pay and conditions of service of the CEO and other designated Senior Postholders;
- setting a framework for pay and conditions of service of all other staff;
- ensuring that the financial, planning and other management controls, including management of risk and controls against fraud and theft, applied by the Trust are appropriate and sufficient to safeguard public funds;
- Establish an Audit Committee who recommend the appointment of Financial Statement and internal auditors to the Board of Directors;
- securing the efficient, economical and effective management of all Trust resources and assets;
- ensuring that appropriate financial considerations are taken into account in reaching decisions and in their execution;
- approving an annual budget and financial forecast before the start of each financial year;
- setting the policy for determining fees (subject to any regulations made by the Secretary of State or circulars and instructions from the ESFA);
- approving the annual Financial Statements;
- approving the Trust's Strategic Plan.

3.2 Committee Structure

3.2.1 The Board of Directors has ultimate responsibility for the Trust's finances, but delegates specific powers and processes to the Committees detailed below. These Committees are accountable to the Board of Directors.

3.2.2 Finance and Resources Committee

Monitoring of the Trust's financial position and financial control systems is undertaken by the Finance and Resources Committee. The Committee will examine annual estimates and accounts and recommend their approval to the Board of Directors. It will ensure that short term budgets are in line with agreed longer term plans and that they are followed. It will consider any other matters relevant to the financial duties of the Board of Directors and make recommendations accordingly. The Committee will also ensure that the Board of Directors has adequate information to enable it to discharge its financial responsibilities. At each meeting, it will scrutinise a report on the Trust's financial position and performance. The Terms of Reference of the Committee are detailed in the Trust's Governance Procedures.

3.2.3 **Audit Committee**

Academies are required to have robust corporate governance arrangements in place as documented in the Funding Agreement and Academy Trust Handbook. The Audit Committee is independent, advisory and reports to the Board of Directors. It has the right of access to obtain all the information it considers necessary and to consult directly with the internal and Financial Statement auditors. The Committee is responsible for identifying and approving appropriate performance measures for the internal and Financial Statement auditors and for monitoring their performance. It must also satisfy itself that satisfactory arrangements are in place to promote economy, efficiency, and effectiveness. The Terms of Reference of the Committee are detailed in the Trust's Governance procedures.

3.2.4 **Remuneration Committee**

Management of the designated Senior Postholders and consideration of their pay and conditions is the responsibility of the Remuneration Committee. It has the power to make recommendations to the Board of Directors on their remuneration, including pay and other benefits, as well as contractual arrangements. It oversees the annual review of the Senior Postholders and the Director of Governance and their professional development.

3.3 **Management & Staff**

3.3.1 **The CEO**

The CEO is responsible for ensuring the proper and effective operation of key financial, planning and management controls and for giving effect to the Trust's policies for securing the efficient, economical, and effective management of all the Trust's income, assets, and expenditure. This responsibility may not be delegated.

3.3.2 The CEO shall be responsible for ensuring that funds from the ESFA, and other public funding streams are used only for the purpose for which they are given and in accordance with any terms and conditions attached.

3.3.3 As Accounting Officer, the CEO may be required to appear before the Committee of Public Accounts.

3.3.4 The CEO will delegate responsibility for financial management of each college / school / partner to the Local Principal / Headteacher.

3.3.5 **The Chief Finance Officer (CFO)**

Day to day financial management is undertaken by the CFO, who is responsible to the CEO for:

- preparing annual capital and revenue budgets and financial plans;
- preparing management and budgetary control information;
- preparing the Trust's annual accounts and Financial Statements;
- ensuring that the Trust maintains and communicates satisfactory financial systems and controls;
- providing timely advice and information to budget holders to assist them in the management of their budgets;
- providing professional advice on all matters which have financial implications, and communicating financial procedures;
- ensuring that an up-to-date financial systems and procedures manual are available to staff to ensure the efficient and effective financial management of the Trust.

3.3.6 The CFO will delegate day to day financial management to the Local Finance Department in each college / school / partner where it is appropriate to do so.

3.3.7 **The IT / MIS (Management Information Systems) nominees**

The IT / MIS nominee in each college / school / partner are responsible for:

- Management and maintenance of the Student Records System and submission of records and returns as required by the ESFA.
- Management and monitoring of Data Protection systems.

3.3.8 **Budget holders**

Certain budgets will be allocated to departmental budget holders who are responsible to the CEO or Local Principals / Headteachers, with guidance from the CFO, for the financial management of the funds devolved to them. They are responsible for the economic, effective, and efficient use of resources allocated to them.

Budget holders are responsible for establishing and maintaining clear lines of responsibility within their department for all financial matters.

4. Accounting Policies

4.1 Basis of Accounting

The Financial Statements are prepared on the historical cost basis and in accordance with applicable accounting standards and codes of practice. Further detail on specific accounting policies is detailed in the Annual Financial Statements.

i) Income

Income will be recognised for the period to which it relates and matched against corresponding expenditure. Income may not be netted off against expenditure. Any departure from this requires approval from the CEO and CFO and agreed with the external auditors.

(ii) Expenses

Expenditure is recognised at the point any of its commitment becomes irrevocable. The Trust will recognise expenditure in accordance with the principals of accrual accounting. Liabilities will be recognised when an obligation arises to transfer economic benefits as a result of past transactions or events. Expenses may be sub categorised as determined by the CFO. Categories of expenditure must contain the following as a bare minimum:

- a) Direct costs
- b) Allocated Support costs
- c) Staff costs

4.2 Format of the Accounts

The financial year of the Trust runs from 1st September to 31st August. The accounts are prepared in the format required by the ESFA and in accordance with the provisions of:

- Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102),
- Statement of Recommended Practice (SORP) applicable to charities,
- the Academies Accounts Direction issued by the ESFA,
- the Charities Act 2011,
- the Companies Act 2006.

4.3 Accounting Returns

The CFO is responsible for consolidating and despatching financial returns and other periodic financial reports to the ESFA, local authority and other agencies as required.

4.4 Accounting Records

The CFO is responsible for ensuring the retention of financial documents. These should be kept in a form acceptable to the relevant authorities.

The Trust is required by law to retain certain prime documents for at least six years. These include:

- payroll records (12 years)
- official purchase orders
- paid invoices
- accounts raised & cash receipts
- bank statements & paid cheques

The Trust, through the MIS / IT nominee in each college / school / partner, will retain all records supporting the audit trail relating to the Trust's Individualised Learner Record (ILR) return for a minimum of six years.

The Trust will maintain such data security and other procedures in relation to computer and manual records to comply with relevant data protection legislation and best practice.

4.5 **Capitalisation and depreciation**

The purchase, lease or rent of land or buildings or fixed plant can only be undertaken with authority from the Board and with the approval of the ESFA. New land and buildings will be recorded in the balance sheet at actual build or acquisition cost, except where they are received as gifts, where they will be recorded at depreciated replacement value. Buildings will be depreciated in equal instalments over their estimated remaining useful life. Land will not be depreciated.

Expenditure incurred on repair, refurbishment or extension of existing buildings will not be capitalised unless it can be demonstrated that the resultant value of the building, on the basis of depreciated replacement value, is intended to be greater than the current book value. This will be determined by taking professional advice where necessary.

Leasehold buildings would be depreciated over the shorter of the remaining lease term or their useful economic life.

Expenditure incurred on the acquisition of assets other than land and buildings is capitalised where the acquisitions cost per item is £2,000 or more. Grouped items may be capitalised, where appropriate.

Capitalised assets other than land and buildings will be depreciated over their expected useful economic life as follows:

- Equipment – 10 years
- Major Equipment (e.g. Lift) – 20 years
- Photovoltaic panels & related equipment – 25 years
- Furniture & Fittings – 10 years
- Computers – 4 years
- Vehicles – 5 to 7 years

For colleges / schools / partners joining the Trust, depreciation rates will be reviewed and harmonised as appropriate.

4.6 **Public Access**

Under the terms of the Charities Act 2011, the Trust is required to supply any person with a copy of the Trust's most recent Financial Statements within two months of a request. The Act enables the Trust to levy a reasonable fee and this will be charged at the discretion of the CEO. The Trust will also publish its accounts on its website as soon as practicable after that have been approved, and by 31 January following the year-end at the latest. The Trust will hold a minimum of two years' Financial Statements on the website in accordance with ESFA requirements.

5. Audit Requirements

5.1 Introduction

The ESFA, through the Funding Agreement, require the Trust to put in place appropriate audit arrangements. These arrangements concern:

- the establishment of an Audit Committee.
- the provision of internal and Financial Statements audits.
- appointment of Auditors, both internal and Financial Statement.
- the terms of reference and scope of the internal audit service.

5.2 Audit Providers

The Financial Statement and internal audit providers have authority to:

- access Trust premises and its Board and staff at all reasonable times;
- access all asset records, documents and correspondence relating to any financial and other transactions of the Trust;
- require and receive such explanations as are necessary concerning any matter under examination;
- require any employee of the Trust to account for any cash, stores or any other Trust property under his / her control;
- access records belonging to third parties, such as contractors when required.

5.3 Appointment of Auditors

The Board of Directors is responsible for the appointment and re-appointment of the internal audit and Financial Statement audit providers formally each year on the advice of the Audit Committee. The Trust must subject the internal and Financial Statement audit providers to competition for both quality and price at least every five years or when there are material changes in the nature of the provision. If the provider is changed, the contract with the incoming provider should start on the day after expiry of the outgoing provider to ensure continuity of provision.

5.4 Financial Statement Audit

The primary role of the Financial Statement audit is to report on the Trust's Financial Statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements and to report on the appropriate use of funds. Their duties will be in accordance with the advice set out in the relevant audit code of practice and the Auditing Practices Board's statements of auditing standards.

5.5 Internal Audit

The Internal Audit service is appointed by the Trust on the recommendation of the Audit Committee. The main responsibility of Internal Audit is to provide the Trust, the CEO, and the Executive Management Group with assurances on the adequacy of internal control systems, governance, and risk management.

The Internal Audit service remains independent in its planning and operation but has direct access to the Trust, CEO and Chair of the Audit Committee. The Internal Auditor will also comply with the Auditing Practice's Board auditing guidance – Guidance for Internal Auditors.

5.6 **Regularity Audit**

The Financial Statement auditors are also required to review the Accounting Officer's Statement of Regularity contained within the Trust's annual report. This is a formal declaration by the Trust's Accounting Officer that they have met their personal responsibilities to ensure that:

- there is efficient and effective use of resources in their charge (value for money),
- public money is spent for the purposes intended by Parliament (regularity),
- appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under their control (propriety).

The auditor's conclusion on regularity must be addressed to the Secretary of State through the ESFA.

5.7 **Other Auditors**

The Trust may, from time to time, be subject to audit or investigation by external bodies such as the ESFA, National Audit Office, Government appointed auditors, HM Revenue & Customs etc. They have the same rights of access as Financial Statement and internal auditors.

5.8 **Fraud, Bribery and Corruption**

It is the duty of all members of staff, management, and the Board to notify the CEO immediately whenever any matter arises which involves, or is thought to involve irregularity, including fraud, corruption, or any other impropriety. Alternatively, the member of staff may wish to make a disclosure under the Public Interest Disclosure (Whistleblowing) procedure.

The CEO shall immediately invoke an investigation, which incorporates the following key elements:

- The CEO should inform the Audit Committee (through its Chair) of the suspected irregularity and shall take such steps as considered necessary by way of investigation and report.
- The CEO shall inform the Police if a criminal offence is suspected of having been committed.
- Any significant cases of fraud or irregularity shall be reported to the ESFA in accordance with their requirements.
- The Audit Committee shall commission such investigation as may be necessary of the suspected irregularity, by the Internal Audit Services or others, as appropriate.
- The Internal Audit Service, or others commissioned to carry out an investigation, shall prepare a report for the Audit Committee on the suspected irregularity. Such report shall include advice on preventative measures.

If the suspected fraud is thought to involve the CEO, the member of staff shall notify the Chair of the Audit Committee, via the Director of Governance of their concerns regarding irregularities.

5.9 **Governance**

Any member of the Board of Directors or staff who has a pecuniary, family, or other personal interest, direct or indirect, in any contract or proposed contract entered into on behalf of the Trust shall declare this interest to the Board of Directors.

All declarations of interest shall be recorded in a register maintained by the Director of Governance.

5.10 **Value for Money**

It is a requirement of the Funding Agreement that the Board of Directors is responsible for delivering value for money from public funds. It should keep under review its arrangement for managing all the resources under its controls, taking into account guidance on good practice issued from time to time by the ESFA, the National Audit Office, the Public Accounts Committee or other relevant bodies.

Internal Audit should have regard to value for money in its programme of work. This will be used to enable the Audit Committee to refer to value for money in its annual report.

6. Financial Planning

6.1 Resource Allocation – Trust approach

- 6.1.1 The holding and release of reserves is a key responsibility of the Executive Management Group and the Trust. The Trust's values suggest that it favours a devolution of autonomy where appropriate but a pooling where necessary. The Trust Board of Directors is legally responsible for all assets and liabilities.
- 6.1.2 The individual institutional model approach, which has also been adopted by many successful trusts, sees a pooling of the consolidated individual reserves of institutions but a notional ownership of cost centres to encourage local accountability.
- 6.1.3 Each institution has a notional reserve balance base equal to its free financial assets when it joins the Trust. These reserves are available to be used by the individual college / school / partner subject to the agreement of the Board of Directors and the need for the Trust to maintain adequate reserves. Where an institution does not have sufficient funds to cover an emergency or where capital expenditure is proposed that is not covered by the institution's accrued reserves, the Board of Directors will need to draw funds from other institutions balances to fund the scheme. This will only be done in important or critical circumstances.
- 6.1.4 If individual institutions have 'internal' loans, then these are ring fenced for the institution involved and are serviceable from the General Annual Grant (GAG) after top slicing for the duration of the loan repayment.
- 6.1.5 As the Trust grows, individual institutional accountability can evolve into a regional hub approach with each geographical region acting as a local cost centre and operated on the same principle as above. Local hubs may have more than one institution within them. Some may be smaller institutions and it may be more appropriate to have a hub level of accountability.
- 6.1.6 The management charge applied by the Trust is calculated using a zero-based approach to budgeting for MAT central costs. New partners joining the Trust will be required to work towards paying a share of the costs in relation to the size of the institution.

6.2 Budget Preparation

- 6.2.1 The CEO, through the CFO, is responsible for ensuring the annual preparation of a consolidated balanced revenue budget, capital programme and rolling cashflow for consideration by the Finance and Resources Committee before submission to the Board of Directors. The budget should comply with ESFA and accounting / audit requirements.
- 6.2.2 The CFO is responsible for preparing a consolidated rolling three-year financial forecast for approval by the Board of Directors on the recommendation of the Finance and Resources Committee and for preparing financial forecasts for submission to the ESFA.
- 6.2.3 Local Principals / Headteachers, in conjunction with the Local Finance Department and CFO, are responsible for ensuring the annual preparation of a three-year financial forecast including a balanced revenue budget and capital programme for consideration by the Local Governing Body.
- 6.2.4 The timeframe for budget preparation will be:

Autumn term – following the enrolment and timetabling process, the Local Principal / Headteacher in conjunction with the Local Finance Department provides the Local Government Body with an update on any major changes to the current year's budget and the three-year financial forecast such as significant variations to the:

- expected students on roll,
- staffing structure and payroll costs,

- national pay award negotiations for both teaching and support staff as soon as the information is available,
- non-pay expenditure such as IT, transport, curriculum, estates, professional fees etc

Spring term – following receipt of the ESFA Annual Revenue Allocation Statement, the Local Principal / Headteacher in conjunction with the Local Finance Department will prepare an updated three-year financial forecast including a balanced revenue budget and capital programme for consideration and approval by the Local Governing Body.

Summer term – Local three-year financial forecasts should be sent to the MAT Accountant for consolidation into a MAT three-year financial forecast for review by the Finance and Resources Committee followed by the approval of the Board of Directors and finally, submission to the ESFA prior to the end of August.

6.2.5 If a Local Principal / Headteacher and Local Finance Department identify a significant change in their financial position and are unable to set a balanced budget, they should inform the CEO and CFO at the earliest opportunity.

6.2.6 Financial plans should be consistent with the strategic planning documents approved by the Board of Directors.

The CEO is responsible for ensuring that the Trust has prepared:

- a Strategic Development Plan
- an IT strategy;
- an Accommodation strategy;
- a Risk Management / Disaster Recovery Plan.

These documents should be considered and approved by the Board of Directors. Any material departures will require the approval of the Board of Directors.

6.2.7 The CFO must ensure that detailed budgets are prepared by the Local Principal / Headteacher in conjunction with the Local Finance Departments in order to support the resource allocation process and that these are communicated to budget holders as soon as possible following their approval by the Board of Directors.

6.2.8 During the year, the CFO is responsible for reporting budgetary performance and revisions to the Finance and Resources Committee for consideration before submission to the Board of Directors for approval if necessary. The Local Principals / Headteachers in conjunction with Local Finance Departments are responsible for reporting to their Local Governing Bodies.

6.2.9 The Trust must submit to ESFA, in a form specified by ESFA:

-
- a 3-year budget forecast return by 31 August

This must be approved by the Board of Directors. The Board of Director 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.

7. Budgetary Control

7.1 Budget holders

7.1.1 The CEO is responsible for managing the Trust within the budget approved by the Board of Directors. Preparation and reporting of budgets and budgetary performance will be undertaken by the CFO and Local Finance Departments in consultation with the CEO, Local Principals / Headteachers, Executive Management Group, and designated budget holders.

7.1.2 Local Principals / Headteachers and designated budget holders are responsible to the CEO for the income and expenditure appropriate to their budget. The budget holder will be assisted in this duty by management information provided by the Local Finance Department and the CFO. Reports will normally be prepared within agreed budgetary targets, which will be reviewed on an annual basis as part of the forecasting cycle. Departures from agreed budgets, subject to limits in the Scheme of Financial Authorities (page 5) will be agreed by the CEO or CFO, and significant variations reported to the Finance and Resources Committee as part of the routine reporting cycle.

7.2 Budgetary performance reports

7.2.1 The CFO is responsible for preparing management reports on all aspects of the Trust's finances every month and on a timely basis. This report should include an income and expenditure account, balance sheet, capital account, ratio analysis and a twelve-month rolling cashflow forecast. A forecast out-turn should also be included, together with a commentary detailing significant variations.

7.2.2 These reports will be considered by the CEO and the Chair of the Board of Directors every month and by Finance and Resources Committee and Board of Directors as a minimum on a half termly basis.

7.2.3 The Local Finance Department will provide budget holders with monthly reports of income, expenditure, and commitments.

7.3 Virement

7.3.1 The CEO, Local Principals / Headteachers and / or CFO shall be permitted to exercise virement (budget transfers) between all cost centres, subject to limits in the Scheme of Financial Authorities (page 5), provided that the action does not involve the Trust in any additional financial commitments in respect of any subsequent years.

7.3.2 Virement in excess of such a sum as agreed by the Trust or involving any additional financial commitments in respect of any subsequent years shall be subject to the approval of the Finance and Resources Committee.

7.3.3 Virement from capital expenditure budgets to revenue budgets is permitted only where the virement relates to expenditure of funds allocated in the capital programme and this expenditure did not meet the accounting criteria for capitalisation. Virement from capital expenditure budgets to revenue expenditure requires the prior approval of the CEO.

7.4 Changes to the Budget

Any changes to the proposed budget approved in July will be considered by the Trust, usually in September.

7.5 Treatment of year-end balances

At the year-end, budget holders will not normally have the authority to carry forward a balance on their budget to the following year unless the CFO and Local Finance Department has approved a specific scheme for carrying forward all or part of the unspent amounts.

8. Banking and Cash

8.1 Appointment of Bankers

- 8.1.1 The Board of Directors is responsible for the appointment of the Trust's bankers and other professional advisers (such as investment managers) on the recommendation of the Finance and Resources Committee. The appointment shall be reviewed after five years, when consideration shall be given by the Finance and Resources Committee to market testing the service.
- 8.1.2 Proposed changes to the Trust's banking arrangements shall be reported to the Finance and Resources Committee and approved by the Board of Directors.

8.2 Banking arrangements

- 8.2.1 The CFO is responsible, on behalf of the Trust, for liaising with the Trust's bankers in relation to the Trust's bank accounts and the issue of cheques / financial instruments and for ensuring that such instruments are properly controlled and adequately safeguarded.
- 8.2.2 Only the CFO, on behalf of the Trust, may open or close a bank account for dealing with the Trust's funds. All bank accounts shall be in the name of Heart of Mercia.
- 8.2.3 The CFO is responsible for ensuring that adequate controls are in place over internet transactions. All automated transfers on behalf of the Trust, such as BACS or CHAPS, must be authorised in the appropriate manner in line with Scheme of Financial Authorities (page 5).
- 8.2.4 No other department or section shall be empowered to operate a bank account in the name of the Trust, and no cheques or financial instruments made payable to the Trust shall be endorsed and credited to another account.
- 8.2.5 All financial instruments drawn on behalf of the Trust must be signed in the form approved by the Finance and Resources Committee. Details of authorised persons and limits shall be provided for in the Trust's detailed financial procedures, and are detailed in the Scheme of Financial Authorities (page 5). Authorised signatories will be determined by the Board of Directors with any changes subject to Board approval.
- 8.2.6 The CFO is responsible for ensuring that all bank accounts are subject to regular validation and reconciliation and that appropriate authorised documentation exists for all transactions.

8.3 Petty cash

8.3.1 *Central Imprest*

Each Local Finance Department will hold a central petty cash imprest from which disbursements may be made subject to approved limits, as detailed in the Scheme of Financial Authorities (page 5). Requisitions for reimbursement must be presented to the Local Finance Department, together with appropriately authorised receipts or vouchers.

8.3.2 *Departmental Imprest*

The Local Finance Department may make available to departments such imprests as are considered necessary for the disbursement of petty cash expenses, subject to limits in the Scheme of Financial Authorities (page 5).

Departmental imprest balances must be maintained by regular requisition upon the central imprest, supported by adequate documentation

- 8.3.3 Standard petty cash books in a format approved by the Local Finance Department must be used for recording all imprest accounts.
- 8.3.4 No income received on behalf of the Trust may be paid into an imprest account.
- 8.3.5 Departmental float balances will be accounted for through the monthly cash reconciliation process.

8.3.6 In all cases, the member of staff granted a float is personally responsible for its safe keeping. The petty cash box must be kept locked in a secure place in compliance with the requirements of the Trust's insurers when not in use, and will be subject to periodic checks by the Local Finance Department.

9. Treasury Management (investments and borrowings)

9.1 Responsibility & Reporting

9.1.1 The Trust's Board of Directors is responsible for approving a Treasury Management Policy setting out a strategy and policies for cash management, short and long term investments and borrowings. The Trust must obtain ESFA's prior approval for borrowing (including finance leases and overdraft facilities) 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. The Trust has responsibility to ensure implementation, monitoring and review of the Treasury Management Policy.

9.1.2 All executive management decisions concerning borrowing, investment, or financing (within policy parameters – Scheme of Financial Authorities on page 5), shall be delegated to the CFO and an appropriate reporting system set up.

9.1.3 The CFO will maintain a register of borrowing and investments.

9.1.4 The CFO will report to the Finance and Resources Committee at least annually in each financial year on the activities of the treasury management operation and on the exercise of treasury management powers delegated to them.

9.2 Investments

9.2.1 The CFO is responsible for the investment of reserve funds in approved institutions as set out in the Trust's Treasury Management Policy. All investments must be routinely reported to Finance and Resources Committee.

9.3 Borrowings

9.3.1 The Secretary of State's general position is that trusts will only be granted permission for borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes in order to meet broader policy objectives. For example, the Department's Condition Improvement Fund for capital projects, and the Salix scheme designed to support energy saving, are available to trusts.

9.3.2 If approval is given by the ESFA, all borrowings shall be undertaken in the name of the Trust and shall conform to any relevant ESFA requirements.

10. Income

10.1 General

10.1.1 The CFO is responsible for ensuring that appropriate procedures are in operation in the Local Finance Departments to ensure the Trust receives all income to which it is entitled. The format of all receipt forms, invoices, tickets or other official documents and electronic collection systems must have the approval of the CFO.

10.1.2 Levels of charges for services rendered, goods supplied and rents and lettings are determined by Local Principals / Headteachers and Local Finance Departments under guidance from the CFO, and by procedures approved by the Finance and Resources Committee and the Board of Directors.

10.1.3 The CFO is responsible for ensuring the prompt collection, security and banking of all income received by Local Finance Departments.

10.1.4 Budget holders are responsible for the receipting, recording and security of cash collected within their departments, and for passing it to the Local Finance Department without delay.

10.1.5 The CFO is responsible for ensuring that all grants notified by the ESFA and other organisations are received and appropriately recorded in the Trust's accounts.

10.1.6 The CFO is responsible for ensuring that all claims for funds are made by the due date.

10.2 Collection and Security of Income

10.2.1 Where appropriate, Local Finance Departments should use online payment portals such as 'Parent Pay', 'Parent Mail' or 'World Pay' to collect fees and other charges from students and / or their parents / guardians. All monies received within Local Finance Departments from all sources must be recorded on a daily basis and acknowledged by the issue of an official receipt.

10.2.2 All monies received must be paid to the Local Finance Department promptly. Custody of all cash holdings must comply with the requirements of the Trust's insurers.

10.2.3 Income must be accounted for separately from related expenditure. No deductions may be made from any cash collected on behalf of the Trust, except with the exceptional consent of the CFO

10.2.4 Personal or other cheques must not be cashed out of money received on behalf of the Trust.

10.2.5 Local Finance Departments may only receive payments by debit or credit card using systems and procedures approved by the CFO.

10.2.6 Local Finance Departments are responsible for the security and prompt banking of all monies received, with appropriate levels of segregation of tasks. All monies received must be banked at least once a week during term time.

10.3 The Collection of Debts

10.3.1 The Local Finance Department should ensure that:

- debtors invoices in respect of income due to the Trust are raised promptly on official Trust invoices, in respect of all income due to the Trust;
- invoices are prepared with care, recorded in the ledger, show the correct amount due and are credited to the appropriate income account;
- any credits granted are valid, properly authorised and completed recorded;
- monies received are posted to the correct debtors accounts;
- swift and effective action is taken in collecting overdue debts;
- outstanding debts are monitored and report prepared for management.

- 10.3.2 The Local Finance Department are responsible for agreeing appropriate credit arrangements with customers and indicating a period in which different types of invoice must be paid.
- 10.3.3 The CFO or Local Principals / Headteachers are authorised to write off bad debts or losses according to limits as set out in the Scheme of Financial Authorities (page 5). For the writing off of any greater sum, the authority of Finance and Resources Committee must be obtained.
- 10.3.4 The CFO must periodically report significant debts written off to the Finance and Resources Committee.

10.4 **Student Fees**

- 10.4.1 The Local Finance Department must put in place procedures for collecting tuition and other fees and ensuring that all student fees due to the Trust are received.
- 10.4.2 Any student who has not paid an account for fees or any other item owing to the Trust could be prevented from re-enrolling at the Trust and from using any of the Trust's facilities unless appropriate arrangements have been made to make payment.

10.5 **Student Loans**

Appropriate records must be maintained to support all transactions involving student loans.

11. Expenditure - Employees

11.1 Appointments and Personnel

- 11.1.1 The Local Principals / Headteachers shall appoint all permanent and temporary staff other than appointments to Senior Posts. No appointment either to a newly created post or to a replacement post may be made without the prior agreement of the Local Principals / Headteachers.
- 11.1.2 The Board of Directors shall appoint holders of designated Senior Posts as designated by the Trust in accordance with the Instrument and Articles of Government.
- 11.1.3 All Trust employees will be issued with a contract of employment, and letters of appointment or variation to contracts will be issued by the CEO or Local Principals / Headteachers.
- 11.1.4 Salaries and benefits for Senior Postholders will be determined by the Remuneration Committee set up by the Trust.
- 11.1.5 All Trust staff will be appointed to the local salary scales approved by the Board of Directors and in accordance with appropriate conditions of service with letters of appointment or variations in conditions of service issued by the CEO or Local Principals / Headteachers. The CEO or Local Principals / Headteachers will be responsible for keeping the CFO, Human Resource (HR) department and Local Finance Departments informed of all matters relating to personnel for payroll purposes.

In particular these include:

- appointments, resignations, dismissals, supervisions, secondments and transfers;
- absences from duty for sickness or other reason, apart from approved leave;
- changes in remuneration including annual increments and pay awards;
- Temporary or one-off payments
- information necessary to maintain records of service for superannuation, income tax, national insurance etc.

11.2 Payroll and Pensions

- 11.2.1 The CFO is responsible, through the appointed agent, for all matters relating to the management of the Trust's payroll.
- 11.2.2 The appointment of a payroll agent is the responsibility of the CEO, with any change being reported to the Board of Directors
- 11.2.3 The CFO is responsible for ensuring that payments of salaries and wages to all staff and from all sources are correct. All time sheets and other pay documents will be in a form prescribed by the Local Principals. All regular casual and part-time employees of the Trust will be included on the payroll.
- 11.2.4 All payments must be made in accordance with the Trust's detailed payroll procedures and comply with legislative requirements.
- 11.2.5 The CFO, through the payroll agent, is responsible for ensuring that all statutory and audit returns relating to payroll are filed in accordance with statutory requirements.
- 11.2.6 The CFO is responsible for ensuring that all records relating to payroll are kept in accordance with relevant statutes and data protection regulations.

11.2.7 The Board of Directors is responsible for undertaking the role of employer in relation to appropriate pension arrangements for employees.

11.2.8 The CFO, through the payroll agent, is responsible for day to day pension matters including:

- arranging payment of contributions to various authorised pension schemes;
- organising the preparation of and certifying the annual return to various pension schemes

11.2.9 The CFO is responsible for ensuring correct payment to non-employees and for informing the appropriate authorities of such payments.

11.3 Agency Staff

Appointment of agency staff may only be made in exceptional circumstances and with the approval of the CEO or Local Principals / Headteachers.

11.4 Severance Payments

11.4.1 Severance payments shall only be made in accordance with relevant legislation and ESFA guidance. Professional advice should be obtained where necessary in conjunction with the Trust HR Director. All such payments shall be authorised by the CEO and calculations checked by the CFO. Any individual amounts in excess of £30,000 require approval of the Board of Directors.

11.4.2 For academies, the Trust has delegated authority from the ESFA to approve individual staff severance payments provided any non-statutory / non-contractual element is under £50,000 gross (i.e. before income tax or other deductions). Where the Trust is considering a non-statutory / non-contractual payment of £50,000 or more, (gross, before deductions), ESFA's prior approval must be obtained before making any binding offer to staff.

11.4.3 All matters referred to an industrial tribunal shall be notified to the Board of Directors at the earliest opportunity in order that budget provision may be made as necessary. All determinations of tribunals must be similarly notified.

11.5 Pay Award

11.5.1 The Trust is responsible for approving the annual pay award for both teachers and support staff in accordance with the Trust's Pay Policy. The Trust will follow the advice of the National Joint Council however in exceptional circumstances, the Trust reserves the right to approve an alternative pay award.

11.5.2 The Chair of the Board of Directors can use Chair's Action to approve the payment of the annual pay award following consultation with other Directors where the cycle of Board meetings would mean an unreasonable delay in approving and actioning the annual pay award for staff.

11.6 Equal Opportunities

All appointments must be made in accordance with the Trust's Equal Opportunities, Race Equality and Disability Discrimination Policies.

12. General Expenditure

12.1 **Purchasing**

12.1.1 The CFO is responsible for making payments to suppliers for goods and services on behalf of the Trust. For the purposes of the Financial Regulations, all references to monetary limits and minima are deemed to be inclusive of VAT at the rate prevailing when the contract is entered into or the expenditure committed.

12.1.2 All goods and services purchased must comply with procedures and limits as approved by the Trust from time to time, set out in the Scheme of Financial Authorities (page 5).

12.1.3 Subject to special rules imposed by ESFA, the Trust requires that the following requirements for obtaining quotes are met:

Limit Level (see Financial Authorities page 5)	Requirement
Lower Limit	The budget holder must be able to demonstrate that they have used good sense to ensure value for money in all orders made on behalf of the Trust. This will normally involve obtaining suitable quotes.
Median Limit	At least three written quotations will be obtained unless the goods or services are to be purchased from a monopoly supplier in which case written evidence must be obtained and be available for audit scrutiny.
Higher Limit	At least three competitive tenders to be considered in accordance with the Trust tendering procedures.

The value of a contract is the sum of the instalments payable under that contract.

12.2 **Purchase Orders**

12.2.1 The ordering of goods and services shall be in accordance with the Trust's detailed financial procedures / purchasing policies and limits set out in the Scheme of Financial Authorities (page 5).

12.2.2 Official orders must be placed for the purchase of all goods and service, except those made using Trust credit / procurement cards or petty cash. Exceptions to above general rules are purchases of the following goods and services:

- Utilities such as gas, electricity, water, telephones, business rates etc.
- Payroll services, including reimbursement of salary payments and associated deductions made by an external payroll bureau on behalf of the Trust,
- Hire of agency staff,
- Urgent premises maintenance.

12.2.3 Budget holders must provide signed requisitions to enable the production of official Trust orders for the purchase of all goods or services, which are then recorded against their budgets. The only exception to this will be periodic or emergency items, and circumstances where a supplier does not accept orders. Purchases made using petty cash or emergency cheques must be properly documented and authorised and in a form acceptable to the CFO.

12.3 Authorities

12.3.1 The budget holder is responsible for purchases within their department. Purchasing authority may in exceptional circumstances be delegated to named individuals (or budget holders) within the department, but only with the express approval of the Local Principals / Headteachers.

12.3.2 Each Local Finance Department is responsible for ensuring the maintenance of a register of authorised signatories, to whom any changes to the authorised list must be notified immediately. Budget holders must supply the Local Finance Department with specimen signatures of those authorised to certify invoices for payment.

12.3.3 Budget holders are not authorised to commit the Trust to expenditure which exceeds their approved budget without the consent of the CFO or Local Principal / Headteachers. Material departures from approved budget must be approved by the CEO and reported to Finance and Resources Committee.

12.3.4 Procurement – modern slavery

The Trust has an opportunity to end modern slavery in supply chains. The principles established through the 'Chartered Institute of Procurement and Supply' should be followed. The Trust look to exercise due consideration within our procurement practices to the 'Three P's'.

- 1) As far as reasonable, the Trust must try to ascertain the policies of all suppliers to understand their own approach to slavery and the expectations of the Trust.
- 2) We must regularly monitor the procurement process at the Trust to help build up a profile of all our supplier working practices.
- 3) It is essential that the Trust plan against any identified areas of our current supply chain where poor practices are identified to either work with that particular supplier to improve practices or to terminate the relationships with an offending supplier who is known to be in breach of the anti-modern slavery protections.

12.4 Finance Leases

12.4.1 Operating leases do not represent borrowing. Prior approval from the ESFA is not required for operating leases except for some transactions relating to land and buildings.

12.4.2 Prior approval from the ESFA must be obtained for the following leasing transactions:

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

12.4.3 The Trust **must** ensure that any lease arrangement maintains the principles of value for money, regularity, and propriety whether or not the ESFA's prior approval is required. The Trust should seek advice from their professional financial adviser and / or Financial Statement auditor if they are in any doubt over whether a lease involves an element of borrowing.

12.5 Tendering

12.5.1 Invitations to tender, or to apply for permission to tender, must be accompanied by comprehensive and clearly written specifications which shall include:

- the nature and purpose and, where applicable the duration of the contract,
- the specification and quantities of the goods or services to be supplied,
- the time(s) and place(s) at which the goods or services are to be supplied,
- a copy of the conditions of contract with which the successful contractor will be required to comply,

- a copy of any formal contract, or sub contract, which the successful contractor will be required to sign or execute,
- a returnable tender form which indicates:-
 - the tenderer's offer price (or prices) for the goods or services sought;
 - the tenderer's signature;
 - the tender form to be returned to the relevant officer by a stated time and date;
 - a statement confirming that the Trust does not bind itself to accept or nominate the lowest tender where payment is to be made by the Trust;
 - instructions that every tender must be submitted in the envelope provided by the Trust. Such envelopes must bear the word "Tender" followed by the tender reference number, to whom the tender is to be returned, the address for return and the closing date for return.
 - Confirmation that no tender will be considered if it bears any name or mark or postal franking indicating the identity of the sender.

12.5.2 The CFO must be informed of all tenders including those invited without public notice. The tender process will be allocated a reference number and the CFO or their nominee will record the following details prior to the invitation for tenders being dispatched:

1. Reference number of the tender exercise
2. Date of Official Journal of the European Union (OJEU) or similar advertisement if applicable
3. Date invitations to tender dispatched
4. Date and time that tenders are to be returned
5. List of Companies invited to tender

12.5.3 Where a tender is invited without public notice the invitation for such a tender shall require the tender to be sent to the CFO or their nominee.

12.5.4 The CFO or their nominee shall make arrangements for every tender received to be retained in secure custody unopened until the time appointed for its opening.

12.5.5 Tenders should be opened by the CFO or their nominee, in the presence of another member of staff acting as a witness, after the appointed date and time for the closing date for the receipt of tenders except in the case of auditors tender. In this case, the tenders should be opened by the Director of Governance and another member of staff who does not hold an interest in the selection.

12.5.6 The prices quoted in the tender should be recorded immediately. The price should be recorded opposite the name of the appropriate tenderer. If a reply is not received from any of those invited to tender, this fact should be recorded. On completion of the tender opening, both members of staff should sign and date the book and, each individual tender. A note shall be made on the record of the number of tenders, if any are not opened and the reason(s) for not opening them. No tender received after the time or date by which it is to be received or which contravenes any provision of this section shall be opened except with the authority of the CEO. Where, in the CEO's view circumstances so warrant, they may postpone for such time as he considers reasonable the time and date by which the tenders concerned shall be received.

12.5.7 When tenders have been received, the CEO may either;

- Accept the lowest tender when payment is to be made by the Trust or the highest tender when the payment is to be made to the Trust; or
- If they are satisfied that to do so is in the best interests of the Trust, authorise the appropriate member of staff of the Trust to negotiate with any tenderer prior to a final decision; or

- If they are satisfied that to do so is in the best interests of the Trust (e.g. knowledge of the contractor and quality of work), authorise the acceptance of a tender other than the lowest when payment is to be made by the Trust or other than the highest tender when the payment is to be made to the Trust.

13. Capital Projects

13.1 Responsibility

13.1.1 The capital programme includes all expenditure on land, buildings, equipment, furniture, and associated costs whether or not they are funded from capital grants or capitalised for inclusion in the Trust's balance sheet.

13.1.2 Expenditure for minor and major works (for this purpose defined as expenditure for any one scheme in excess of £50,000 on land, buildings, and associated costs) can only be considered as part of the capital programme approved by the Board of Directors.

13.1.3 Capital expenditure may only be committed in accordance with the Trust's approved procedures and the Funding Agreement.

13.1.4 Consultants may be appointed if the project, as determined by the Finance and Resources Committee, is too large or too specialised for Local Estates Department resources. Appointments shall be subject to tendering and other procedures where appropriate.

13.1.5 Budget holders are not authorised to commit expenditure for the alteration, refurbishment or redecoration of their areas or purchase of capital assets. This can only be authorised through the Local Estates Manager / Finance Department and with the prior approval of the Local Principals / Headteachers.

13.2 Procedures

13.2.1 Proposals shall be presented to the Finance and Resources Committee in the form of written proposals with costings, cashflows and / or investment appraisals and should comply with appropriate ESFA guidance.

13.2.2 Following consideration by the Finance and Resources Committee and approval by the Board of Directors, submissions should be forwarded to the ESFA where appropriate. ESFA guidance on best practice should be followed even when specific approval is not required.

13.2.3 Proposed major capital projects should be supported by:

- a statement which demonstrates the project's consistency with the strategic plans and accommodation strategy approved by the Board of Directors;
- a budget for the project as approved by the Finance and Resources Committee and the Board of Directors. The budget should include a breakdown of costs in accordance with ESFA requirements;
- a financial evaluation of the plans together with their impact on revenue plus advice on the impact of alternative plans;
- a cashflow forecast.
- an investment appraisal / other information which complies with ESFA requirements;
- a demonstration of compliance with normal tendering procedures and regulations;

13.2.4 Tendering procedures must be followed in accordance with the higher purchasing limit, (Scheme of Financial Authorities page 5) to ensure best value for money.

13.2.5 Contractors who are to be invited to tender should be subjected to appropriate credit searches and references. The CFO has the authority to require the removal of any Contractor who is deemed unsatisfactory on financial grounds from the select tender list.

- 13.2.6 The Contract, when awarded, must be signed by the CEO and a nominated Director of the Company concerned, and a copy kept in the Trust's capital files held by the Director of Governance.
- 13.2.7 Variations to the contract must be supported by approved and costed variation orders, in a form approved by the CFO, and in accordance with limits as set out in the Scheme of Financial Authorities (page 5).
- 13.2.8 The CFO is responsible for providing regular capital expenditure statements to the Finance and Resources Committee for monitoring purposes.
- 13.2.9 Following completion of a capital project, a post project report should be submitted to the Finance and Resources Committee and ESFA recording actual expenditure against budget and reconciling funding arrangements where a variance has occurred.

13.3 Procurement Legislation

- 13.3.1 The UK is no longer subject to EU regulations and now follows UK domestic legislation. From the 1st January 2021, the UK was no longer subject to EU procurement regulations and therefore no longer follows rules outlined for Official Journal of the European Union (OJEU) tenders. Tenders will now be published on a new e-tendering portal, called Find a Tender Service (FTS) instead of on OJEU.
- 13.3.2 The Public Contract Regulations 2015 applies to public authorities including, amongst other, government departments, local authorities and NHS Authorities and Trusts. The directives set out detailed procedures for the award of contracts whose value equals or exceeds specific thresholds. Details of the thresholds, applying from 1st January 2022 are given below and are inclusive of VAT.

Supply, Service and Design contracts	Works contracts	Social and other specific services
£213,477	£5,336,937	£663,540

- 13.3.3 Where the value of a scheme falls within the above thresholds, the Trust must comply with its legal obligations. The CFO is responsible for ensuring that the Trust complies with its obligations.
- 13.3.4 In the unlikely event of these thresholds being reached, it is the responsibility of the Budget Holder to notify the CFO of any purchases likely to exceed the thresholds noted above. This will need to be done well in advance in order to permit advertising on FTS.

14. Payment of Suppliers

14.1 Payment of Invoices

14.1.1 Payment of invoices will be made in accordance with contractual obligations and Trust financial procedures

14.1.2 The CFO is responsible for determining the most appropriate method of payment.

14.1.3 Budget holders are responsible for ensuring that expenditure within their costs centres does not exceed funds available. Care must be taken by budget holders to ensure that discounts receivable are obtained.

14.1.4 Payments will only be made by the Local Finance Department against invoices which have been certified for payment by the appropriate budget holder. Certification of an invoice will ensure that:

- the goods have been received, examined and approved with regard to quality and quantity, or that services rendered or work done is satisfactory;
- where appropriate, it is matched to the order;
- invoice details (quantity, price, arithmetic) are correct;
- the invoice has not previously been passed for payment;
- where appropriate, an entry has been made on a stores record or departmental inventory;
- an appropriate cost centre is quoted.

14.1.5 Certified invoices must be passed to the Local Finance Department in a timely manner in accordance with the terms of supply. Care must be taken by the budget holder to ensure that discounts receivable are obtained.

14.2 Credit / Procurement Cards / Foreign Exchange cards

14.2.1 The Board of Directors shall have the power to approve the issue of Trust credit / procurement / foreign exchange cards, subject to appropriate limits.

14.2.2 The CFO is responsible for the issue and control of cards in accordance with financial procedures and insurance requirements

14.2.3 Procurement cards may be issued to budget holders, but credit cards may be held only by the CEO and the CFO.

14.2.4 Persons to whom cards are issued must undertake to keep them in safe custody, and to comply with control and recording requirements as determined by the CFO. Trust procurement cards shall be used for valid business expenses only, and the misuse of such cards shall be grounds for disciplinary action.

14.2.5 Cards may not be used for personal expenses.

14.2.6 All expenditure on cards must be logged and supported by bona fide receipts. The monthly card statement should be balanced to the log by the budget holder, and verified by the Local Finance Department.

14.2.7 Completed card logs must be provided to the Local Finance Department within 10 calendar days of the statement date.

14.3 Petty cash

14.3.1 The majority of non-pay supplies are to be procured through the creditors system in accordance with the financial procedures for purchasing and payment. Where it is either not possible or impracticable to use the creditors system, and where approval of the budget holder has been obtained, items costing less than £20 may be paid from petty cash. To ensure compliance with

Inland Revenue regulations, payments from petty cash must be supported by receipts or vouchers. Failure to submit receipts may delay reimbursement.

14.3.2 The CFO shall make available to departments such imprests as they consider necessary for the disbursements of petty cash expenses. However, it is important for security purposes that petty cash imprest floats are kept to a minimum.

14.3.3 Although imprest accounts are the responsibility of the member of staff to whom they are entrusted, they will nevertheless be managed and controlled by the CFO (through his or her designated officer).

14.3.4 Imprest accounts must not be used for:

- Personal expenditure or for cashing personal cheques
- Payment for wages or salaries (including overtime and one-off casual payments for work done), whether to employees or otherwise
- Payments of any bill or invoices in respect of which an official Trust order has been issued.

14.3.5 Standard petty cash forms are supplied by the Local Finance Department and must be used for recording all petty cash amounts.

14.3.6 Petty cash vouchers for reimbursement must be sent to the Local Finance Department together with appropriate receipts, before the total imprest amount held has been expended, in order to retain a working balance pending receipt of the amount claimed.

14.3.7 The member of staff granted a float is personally responsible for its safe-keeping. The petty cash box must be looked in a secure place in compliance with the requirements of the insurers when not in use and will be subject to periodic check by the Head of Department or another nominated person.

14.3.8 At the end of the financial year, a certificate of balances held should be completed by the member of staff responsible for the float and counter-signed by the Head of Department.

14.4 **Travel, Subsistence and Other Expenses**

14.4.1 All claims for payment of subsistence allowances, travelling and incidental expenses shall be completed in a form approved by the Local Finance Department.

14.4.2 Claims for expenses incurred in the course of duty will be in accordance with financial procedures and be actual expenditure, normally subject to maximum limits as set out in the Scheme of Financial Authorities (page 5)

14.4.3 Claims by members of staff must be authorised by their budget holder / Head of Department. The certification shall be taken to mean that:

- The journeys were authorised.
- The expenses were properly and necessarily incurred.
- The allowances are properly payable by the Trust.
- Consideration has been given to value for money in choosing the mode of transport.

14.4.4 Authority to certify expense claims is allocated on the following basis:

Claim by:	Certified by: (person other than claimant)
Staff	Budget holder / Head of Dept
Budget holder / Head of Dept	Member of the Local Senior Management Team
Member of Executive Management Group	Local Principal / Headteacher or CEO or CFO
Local Principals / Headteachers	CEO or Chair
CEO	Chair or Vice-Chair
Member of the Board of Directors	Chair or Vice-Chair & Principal

14.4.5 Members of the Board of Directors, excluding the CEO, do not receive remuneration other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. Claims for members of the Board of Directors shall be approved as above. Claims submitted by the Chair shall be approved by the Chair of the Audit Committee.

14.5 Late Payment Rules

14.5.1 The Late Payment of Debts (Interest) Act 1998 (revised March 2013) was introduced to give small business the right to charge interest on late payment from large organisation and public authorities. Key points are:

- Small business can charge interest on overdue invoices.
- The rate of interest is currently 8% per annum above the official daily rate of the Bank of Interest.
- The Act also applies to overseas organisations.
- The Trust can be sued for non-payment.

14.5.2 In view of the penalties in this Act, the Trust requires that invoices must be passed for payment within 30 days of either the provision of goods or services or the date on which the invoice was received.

14.6 Field Course / Project Advances

14.6.1 The Local Finance Department and the relevant Head of Department may jointly approve cash advances for projects carried out away from the Trust where cash expenditure may be unavoidable. Other forms of payment will be expected to be used wherever possible, such as official purchase orders and subsequent payment or a Trust procurement / credit card.

14.6.2 Receipts or paid invoices must be retained for all sums expended in this way. Upon completion of the project to which the advance relates, within one week, a final account must be prepared to demonstrate how the advance was disbursed and any unspent balance repaid. Under no circumstances will a second advance be approved when the final accounting for an earlier advance to a project or individual is outstanding.

14.7 Trading with related parties

14.7.1 The Trust must be and must be seen to be even-handed in its relationship with related parties as set out in the Academy Trust Handbook. The Board of Directors must comply with their statutory

duties and stakeholders (including the Executive Management Team) must complete the register of interests.

14.7.2 The Board of Directors are responsible for ensuring that the requirements for managing related party transactions are applied across the Trust and that the Chair of the Board and CEO ensure that their capacity to control and influence does not conflict with these requirements.

14.7.3 The CEO and the CFO are responsible for ensuring that the Trust keeps sufficient records and makes sufficient disclosures in the annual accounts to show that transactions with related parties have been conducted in accordance with the principles set out in the Academy Trust Handbook.

14.7.4 The Trust must obtain prior ESFA approval for contracts for the supply of goods and services to the Trust by a related party where there is expectation that the contract value will exceed £40,000 in any one year.

14.8 Register of Interests

14.8.1 The Board of Directors and the Senior Postholders must complete the register of interests.

14.8.2 The register of interests must capture relevant business and pecuniary interests including:

- directorships,
- partnerships and employments;
- trusteeships and governorships at other establishments;

For each interest:

- the name of the business,
- the nature of the business,
- the nature of the interest,
- and the date the interest began.

14.8.3 It is the responsibility of the Board of Directors, through the Director of Governance to keep the register of interests up to date.

14.9 At Cost Requirements

14.9.1 Any contract with a related party exceeding £2,500 should be 'at cost'. This does not include contracts of employment, though the principles of securing value for money still apply.

14.9.2 For the purposes of cost, this should be the full cost of supplying the goods or services but must not include any profit.

14.9.3 Full cost includes: all direct costs (the costs of any materials and labour used directly in producing the goods or services); indirect costs (a proportionate and reasonable share of fixed and variable overheads).

14.10 Goods and services for private use

No goods should be ordered or services provided that include any elements of private use by the Board of Directors and / or staff.

15. Overseas Visits – business trips – by members of the Board of Directors and staff

- 15.1 All overseas business visits must have clear written objectives, and a copy of these must be logged centrally within the CEO's or nominated person.
- 15.2 Such overseas business visits should be approved by the CEO before booking:

Visit by:	Approved in advance by:
Chair of the Trust	Full resolution of either the Board of Directors or the Finance and Resources Committee
CEO, Local Principals / Headteachers or member of the Board of Directors	Chair of the Board of Directors
Other managers, staff, and students	Local Principals / Headteachers or CEO

- 15.3 Once an overseas business visit is completed, a full report of the outcome of the visit, matched against objectives, future plans (if relevant) and full costs associated with the visit, must be submitted to the CEO or nominated person. Where the visit includes a member of the Executive Management Team, the report should be forwarded to the next available meeting of the Board of Directors.
- 15.4 On an annual basis a report of overseas business visits should be submitted to the Finance and Resources Committee which summarises all visits during the year, their purpose, cost, and outcome.
- 15.5 Expenses reimbursed during overseas business visits should be made in accordance with the Trust's financial procedures.
- 15.6 Where spouses, partners, or other persons unconnected with the Trust intend to participate in a trip, this must be clearly identified in the approval request. The Trust must receive reimbursement for the expected costs it may be asked to cover for those persons in advance of confirming travel bookings. The Trust will not meet any costs relating to the accompanying spouse, partner or family member of an employee travelling on Trust business.

16. Private Consultancies and Other Paid Work

Unless otherwise stated in a member of staff's contract, outside consultancies or other paid work may not be accepted without the consent of the CEO, or in the case of a Senior Postholder, by the Chair of the Board of Directors.

17. **Assets**

17.1 **Land, buildings, fixed plant, machinery & equipment**

- 17.1.1 The Trust **must** seek and obtain prior written approval from ESFA for the following transactions:
- acquiring a freehold of land or buildings
 - disposing of a freehold of land or buildings
 - disposing of heritage assets beyond any limits set out in the Funding Agreement in respect of the disposal of assets generally. (Heritage assets are assets with historical, artistic, scientific, technological, geophysical, or environmental qualities that are held and maintained principally for their contribution to knowledge and culture, as defined in applicable financial reporting standards).
- 17.1.2 Other than land, buildings and heritage assets, the Trust can dispose of any other fixed asset without ESFA's prior approval. The Trust must ensure that any disposal achieves the best price that can reasonably be obtained, and maintains the principles of regularity, propriety, and value for money. This can involve public sale where assets have a residual value.
- 17.1.3 The purchase, lease or rent of land or buildings or fixed plant can only be undertaken with authority from the Board of Directors and with reference to ESFA requirements.
- 17.1.4 The Local Principal / Headteacher in each school / college / partner is responsible for maintaining the Trust's legal and planning records of land, buildings, fixed plant, and machinery. Original legal documents must be lodged for safe keeping with a Solicitor, and copies kept on file.
- 17.1.5 The CFO is responsible for ensuring the maintenance of a fully detailed Asset Register, subject to limits as described in the Scheme of Financial Authorities (page 5)
- 17.1.6 Assets which have a life of more than one year and have been recorded in the capital accounts of the Trust, should be depreciated over their useful life as detailed in the Scheme of Financial Authorities (page 5).

17.2 **Inventories**

- 17.2.1 Relevant Senior Managers and budget holders in each school / college / partner are responsible for notifying their Local Finance Department of any additions to or deletions from the equipment assets in their area.
- 17.2.2 Notwithstanding the above, the Local Finance Department will periodically provide budget holders with inventories, from their Fixed Asset Register of all capital and inventory equipment registered to their departments. It is the responsibility of the budget holder to check the inventories and provide the Local Finance Department with any changes within 30 days. This exercise must be carried out as a minimum on an annual basis.
- 17.2.3 Capital equipment asset records will be matched against and, where applicable, adjusted through the Trust accounts as a minimum on an annual basis, and the records maintained for audit.

17.3 **Stocks and stores**

- 17.3.1 Relevant Senior Managers and budget holders are responsible for establishing adequate arrangements for the custody and control of stocks and stores within their departments. The systems used for stores accounting in departments must be approved by the Local Finance Department.

17.3.2 Relevant Senior Managers and budget holders are responsible for ensuring that regular inspections and stock checks are carried out. Stocks and stores of a hazardous nature should be subject to appropriate security checks.

17.3.3 Where appropriate, the Local Finance Department will put in place arrangements for an annual stocktake where a valuation is required for the balance sheet.

17.4 **Asset disposal**

17.4.1 Disposal of obsolete equipment and furniture must be made in accordance with regulations and instructions contained in the Trust's detailed financial procedures.

17.4.2 Asset disposals must be recorded on a form prescribed by the Local Finance Department, and authorised by budget holder and the Local Principals or CFO according to limits in the Scheme of Financial Authorities (page 5).

17.4.3 Disposal of land and buildings must only take place with the authorisation of the Board of Directors. The CFO is responsible for ensuring that ESFA requirements are met.

17.5 **Loan of Assets**

17.5.1 Items of Trust property must not be removed from Trust premises without the authority of the CEO or Local Principals / Headteachers. A record of the loan must be recorded in a loan book and booked back in 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 Trust's auditors.

18. **Student Records**

18.1 The Executive Management Team is responsible for the timely and accurate reporting of key student number and funding unit data. These reports will include appropriate comparatives and projections. They will be considered by the Board of Directors on a regular basis.

18.2 All staff must follow Trust procedures when enrolling students, and ensure that all relevant paperwork is completed accurately.

18.3 Teaching staff are required to keep accurate registers of student attendance and complete them in a timely manner. All records of student absence and changes to learning programmes must be dealt with in accordance with Trust policies and procedures and as determined by the CEO or their nominee.

18.4 The CEO or their nominee is responsible for the management of the student records system, and for carrying out regular compliance audits, including checks on attendance records, on a systematic and documented basis.

19. Outward Collaborative Provision (Franchising)

It is currently Trust policy not to undertake outward collaborative provision, however:

- 19.1 Outward collaborative provision (franchising) may only be undertaken with the prior approval of the Board of Directors and will be subject to appropriate controls in accordance with the latest ESFA requirements.
- 19.2 If approved, the Strategic Plan will contain a section on franchising which will include financial projections and appropriate objectives.
- 19.3 The Board of Directors shall determine arrangements for the approval and annual re-approval of franchises, including a generic contract to be used. The Trust will adopt the model form of contract published by the ESFA as the basis of a generic contract. Authority to sign contracts will be formally delegated to the CEO and Chair of Finance and Resources Committee with the provision that a contract shall not be signed unless the franchisee has cleared the approval protocol. Provision must not commence until a signed contract and suitable arrangements are in place.
- 19.4 Compliance audits, including checks on attendance records, will take place on a systematic and documented basis.
- 19.5 Suitable reports on franchising will be submitted to the Board of Directors and Executive Management Team. The Board of Directors will consider a termly report on franchising including details on activity, key financial and operational information, and future plans.

20. Income Generating Activities

20.1 Curriculum Development

The Local Principal / Headteacher in each school / college / partner must ensure that all new courses are costed and appropriately authorised before any commitments are made. Provision must be made for charging both direct and indirect costs in accordance with the Trust's policy. All activities must be self-financing or surplus generating unless it is intended that a new course is to be launched as a loss leader. If that is the case, the reason for it must be specified.

20.2 Training contracts

Contracts committing the Trust to the delivery of education, training, or other services in addition to that included in the curriculum offer must be approved by the CEO or their nominee. No written agreement may be entered into with third parties and no commitments of Trust funds before the activity has been authorised.

20.3 Donations, Fund Raising Activities and Trust Funds

20.3.1 Applications to sponsors for funding should be approved by the CEO, with detailed costings approved by the CFO in respect of the project.

20.3.2 All gifts, donations and proceeds of fundraising activities shall be passed to the Local Finance Department for banking without delay. The Board of Directors shall be responsible, with guidance from the CEO, for the establishment of trust funds, and for ensuring that any trust funds are operated within the relevant legislation.

20.4 Overseas Activity

The Trust does not currently have any Overseas Activity. However:

In planning and undertaking overseas activity, the Trust must have due regard to the relevant guidelines issues by the ESFA and the Home Office. In its annual Financial Statements, the Trust is required to identify the costs incurred and contributions received in respect of overseas activities, separately from other costs.

21. Trust Companies

The Trust does not currently operate any separate Companies. However:

- 21.1 In certain circumstances it may be advantageous for the Trust to establish a company to undertake services on its behalf.
- 21.2 The establishment of and arrangements for a company must meet ESFA and legislative requirements.
- 21.3 The Board of Directors is responsible for approving the establishment of companies (or joint ventures) and the procedure to be followed in order to do so. The process involved in forming a company and arrangements for monitoring and reporting on the activities of subsidiary undertakings will be the responsibility of the Finance and Resources Committee.
- 21.4 The Board of Directors will undertake a thorough review of the business plan and any proposed control arrangements for a new company.
- 21.5 The Board of Directors should ensure that following the establishment of a separate company a formal memorandum of understanding is established between the Trust and the Company, setting out the relationship between the company and the Trust.
- 21.6 Before any funds are made available to a Company, the Board of Directors should ensure that the Trust will receive a satisfactory return, and that the Trust bears an acceptable level of risk.
- 21.7 The purchase of goods and services from a Trust company or joint venture will be subject to the normal Trust purchasing requirements as detailed above, Trust financial procedures and audit requirements. However, ESFA income should not be used to fund or subsidise private trading ventures by the Trust, either through direct transfers of cash or indirect funding or subsidy arrangements such as granting subsidiaries more favourable terms of trade than other customers and providing staff free of charge or at a rate which does not cover the full costs involved.
- 21.8 It is the responsibility of the Board of Directors to establish the shareholding arrangements. Directors of the company will be appointed in accordance with the Articles of the company and in accordance with the guidance issued by the ESFA.
- 21.9 The Financial Statement Auditors of the Trust will also be the Financial Statement auditors of any companies established by the Trust, and the financial framework within which the company operates shall be the same as that of the Trust. The Directors of Trust companies must submit the annual accounts to the Board of Directors, via the Finance and Resources Committee. The performance of the company must be reported at least termly to the Board.

22. Intellectual Property Rights and Patents

22.1 General

Certain activities undertaken within the Trust including research and consultancy may give rise to ideas, designs and inventions which may be patentable. These are collectively known as intellectual property.

22.2 Patents

The Trust, on the recommendation of the CEO, is responsible for establishing procedures to deal with any patents accruing to the Trust from inventions and discoveries made by staff in course of their research.

22.3 Intellectual Property Rights

In the event of the Trust deciding to become involved in the commercial exploitation of inventions and research, the CEO will be responsible for establishing procedures for dealing with intellectual property.

23. Risk Management and Insurance

23.1 Risk Management

23.1.1 In order to identify the risks facing the Trust and the types of protection required to cover these risks, the Local Principal in each school / college / partner is required to ensure the development and maintenance of an effective risk management strategy. The Audit Committee will review the latest Trust-wide risk management action plan at each meeting.

23.1.2 In line with this policy, the Board of Directors requires that the Trust's risk management strategy and supporting procedures include:

- the adoption of common terminology in relation to the definition of risk and risk management
- the establishment of Trust-wide criteria for the measurement of risk, linking the threats to their potential impact and the likelihood of their occurrence together with a sensitivity analysis
- a decision on the level of risk to be accepted, together with tolerance levels expressed in terms of measurable outcomes (see above)
- a decision on the level of risk to be covered by insurance (see 23.2)
- detailed regular review at department or support function level to identify significant risks associated with the achievement of key objectives and other relevant areas
- development of risk management and contingency plans for all significant risks, to include a designated 'risk owner' who will be responsible and accountable for managing the risk in question
- regular reporting to the Board of Directors of all risks above established tolerance levels
- an annual review of the implementation of risk management arrangements

The strategy and procedures must be capable of independent verification.

23.2 Insurance

23.2.1 In accordance with the risk management strategy, insurance will cover important potential liabilities and be sufficient to meet any potential risk to all assets.

23.2.2 The CFO or their nominee is responsible for effecting insurance cover and reporting to the Finance and Resources Committee on an annual basis. They are therefore responsible for obtaining quotes, negotiating claims, and maintaining the necessary records. A nominated individual will be responsible for dealing with the Trust's insurers about specific insurance issues in each school /

college / partner. The nominated individual in each school / college / partner will be responsible for keeping a register of all insurances with policies and certificate that are relevant to their organisation.

- 23.2.3 Relevant Senior Managers and budget holders in each school / college / partner must ensure that any agreements negotiated within their organisation and external bodies cover any legal liabilities to which the Trust may be exposed. The CFO's advice should be sought to ensure that this is the case. The nominated individual must give prompt notification to the CFO of any potential new risks and additional property and equipment which may require insurance and any alterations affecting existing risks.
- 23.2.4 Relevant Senior Manager and budget holders must advise the nominated individual immediately of any event which may give rise to an insurance claim. The nominated individual will notify the Trust's insurers and, if appropriate, prepare a claim in conjunction with the Senior Manager and / or budget holder for transmission to the insurers.
- 23.2.5 The Estates Manager in each school / college / partner is responsible for keeping suitable records of plant which is subject to inspection by an insurance company and ensuring that inspection is carried out in the periods prescribed.
- 23.2.6 All staff using their own vehicles on behalf of the Trust shall maintain appropriate insurance cover for business use.

24. Taxation

24.1 General

The CFO is responsible for advising budget holders in the light of guidance issued by the appropriate bodies and relevant legislation as it applies, on all taxation issues, to the Trust. The CFO will issue instructions to each school / college / partner on compliance with statutory requirements including those concerning VAT, PAYE, National Insurance, Corporation Tax, and Import Duty.

The CFO is responsible for ensuring the maintenance of the Trust's tax records, making all tax payments, receiving tax credits, and submitting tax returns by their due date as appropriate.

24.2 Value Added Tax (VAT)

The Trust is registered for VAT and when considering the relevant status of income and expenditure, budget holders should consult the CFO. The CFO shall ensure the maintenance of VAT records for the Trust and shall ensure the processing of all VAT payments and receipt of all VAT credits as appropriate.

24.3 Corporation Tax

The Trust may be liable for Corporation Tax on any profit making activities that it undertakes. The CFO will be responsible for ensuring that any liabilities in this area are identified and reported accurately to Revenue and Customs.

25. Gifts and Hospitality

- 25.1 Modest hospitality is an accepted courtesy of a business relationship. The recipient should, however, be conscious of the need to avoid a position where they might be or appear to be influenced in making a business decision by such hospitality. The frequency and scale of hospitality should not be significantly greater than the Trust would be likely to provide in return.
- 25.2 Personal inducement in any form from suppliers of goods and services must never be accepted. Any such offers should be reported to the CEO immediately.

25.3 Gifts other than items of very small intrinsic value such as business diaries, calendars, telephone pads etc, shall not be accepted, neither should items for personal use. Where a situation arises where an employee is uncertain of whether it would be appropriate to accept an offer of a gift or hospitality, the offer should be declined or advice should be sought from the Principal in each school / college / partner.

25.4 The Trust's agreed policies for hospitality and gifts should be followed at all times.

26. Fraud and Corruption

26.1 As a publicly funded body, the Trust is committed to the highest standards of probity and propriety in all its activities. It requires that all staff follow the requirements of the Trust's Fraud Policy and related requirements.

26.2 Suspicions of fraud or corruption must be reported immediately to the CEO or CFO in accordance with the Trust's Fraud and Whistleblowing Policies and related requirements.

27. Student Representative Council (Student Union)

27.1 The Student Representative Council (SRC) in each school / college / partner is a constituent part of the Trust and as such is responsible to the Board of Directors.

27.2 Arrangement for financial recording will be determined by the Local Principal in each school / college / partner.

27.3 The accounts should be subject to audit, and the Trust's auditors shall have access to records, assets, and personnel within the SRC in the same way as other areas of the Trust.

28. Novel, Contentious and Repercussive Transactions

28.1 The Trust must avoid entering into any transaction that could be considered to be novel, contentious and repercussive. If the Board believe that a transaction could potentially be novel, contentious, and repercussive, they should seek appropriate legal and professional advice before referring the decision to the ESFA.

28.2 Novel, contentious and / or repercussive transactions must always be referred to the ESFA for explicit prior authorisation.

- Novel payments or other transactions are those of which the Trust has no experience, or are outside the range of normal business activity for the trust.
- Contentious transactions are those which might give rise to criticism of the trust by Parliament, and/or the public, and / or the media.
- Repercussive transactions are those which are likely to cause pressure on other academies to take a similar approach and hence have wider financial implications.

29. Special Payments

29.1 The Trust must avoid entering into any transaction that could be described as Special Payment. If the Board believe that a transaction could potentially be considered to be a Special Payment, they should seek appropriate legal and professional advice before referring the decision to the ESFA. Guidance can be found in the Academy Trust Handbook

- 29.2 Special payments are transactions that fall outside Trusts' planned range of activities. They are non-statutory or non-contractual and so are subject to greater control than other payments. They include but are not restricted to:
- staff severance payments (see 11.4)
 - compensation payments
 - ex gratia payments.

30 Security

- 30.1 Budget holders in each school / college / partner are responsible for maintaining proper security at all times for all property or cash under their control. He or she shall consult their Estates Manager in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 30.2 Appropriate measures should be taken to safeguard keys to safes or other similar containers. The loss of such keys must be reported to the CFO immediately.
- 30.3 Trust assets (for example, computers, equipment etc) shall not be removed from Trust premises unless in accordance with procedures for the authority, control and recording of the removal of Trust property.
- 30.4 The IT nominee in each school / college / partner will be responsible for maintaining proper security and privacy of information held on computers, and for ensuring that access to computer areas is restricted to authorised persons. Information relating to individuals held on computer will be subject to the provisions of the Data Protection Act 2018. A data protection officer shall be nominated to ensure compliance with the General Data Protection Regulation (GDPR).

31 Cyber Crime

- 31.1 [Action Fraud](#), the National Fraud and Cyber Crime Reporting Centre describes cyber crime as any criminal act dealing with computers and networks (called hacking). Additionally, cyber crime also includes traditional crimes conducted through the Internet. Examples of fraud warning signs or risks involving cyber crime are:
- Unexpected requests by email or other forms of digital communications to change payment details or contact details.
 - Emails with unexpected attachments which contain obvious language or spelling errors
 - Unsolicited electronic requests for sensitive financial information, banking details or IT information
 - Documents, data, information, or applications that appear odd, altered, or tampered with
 - Inappropriate disclosure or manipulation of data or information for financial gain
 - IT / cyber-attacks including installation of ransom ware, viruses, and other malware.
- 31.2 The Board of Directors is committed to ensuring that appropriate cyber security controls are in place to defend IT facilities and stored data from unauthorised access, use, disclosure, disruption, modification, and destruction.
- 31.3 IT systems and procedures should be subject to regular independent audit to review their robustness.
- 31.4 All Directors, staff and students should read, acknowledge their acceptance of and comply with the following policies:
- IT Acceptable Use Policy;
 - IT Security Policy;
 - Staff and Student Codes of Conduct.

31.5 The Audit Committee will receive regular reports on security breaches.

32. Use of the Seal

The Director of Governance is responsible for the safe keeping of the seal and its use. The use of the seal should be recorded and reported at least termly to the Trust.