



**Extend Learning**  
Academies Network

# Finance Policy and Procedures

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## **FINANCIAL POLICY AND PROCEDURES**

### **1. INTRODUCTION**

#### **1.1 Key principles**

The purpose of the financial procedure guidance is to ensure that the Trust maintains and develops systems of financial control which conform with the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of our Master Funding Agreement with the Department for Education (DfE) and the Academy Trust Handbook (ATH) published by the Education and Skills Funding Agency (ESFA).

#### **1.2 Aims**

This document has been adopted by the Trust as the basis for the administration and management of finances. The aim of the procedure guidance is to create a framework within which individual members of staff, the Board and other interested parties can exercise financial management, probity and stewardship in an efficient and effective way. It is essential that all parties are aware of their roles in the financial management of the Trust.

### **2. FINANCIAL MANAGEMENT STRUCTURE**

#### **2.1 Overall management responsibilities**

The Central Management Team and the Board have a collective responsibility for the overall direction of the Trust and its strategic management. The Trust should not only be effective but be seen to be effective.

#### **2.2 Board**

The Board has overall responsibility for the administration of the Trust's finances. The main responsibilities of the Board are prescribed in the Master Funding Agreement between the Trust and the DfE and the Trust's scheme of delegation. The main responsibilities include:

- ensuring the grant from the DfE is used only for the purposes intended;
- approval of the annual budget including the central charge (ECC);
- appointment of the CEO, Accounting Officer and CFO;
- regular monitoring of Trust management reports;
- approving the procurement of goods and services and business case proposals to access uncommitted reserves;
- approval of the annual report and accounts;
- establishment of the Finance, Audit and General Purposes Committee and setting the terms of reference and review of its work.

#### **2.3 Finance, Audit and General Purposes Committee**

The Finance, Audit and General Purposes Committee is a sub-committee of the Board. The responsibilities of the committee are included in the terms of reference and meet three times a year. The main responsibilities include:

- the initial review and challenge of the draft budget;
- regular monitoring of Trust management reports;
- ensuring annual accounts are produced in accordance with the requirements of the Companies Act 1985 and the DfE guidance issued to academies;
- approving purchases in line with the committee's terms of reference;

- reviewing reports from the Trust's internal and external auditors on the effectiveness of the financial procedures and controls and ensuring a system of good financial governance is in place;
- reviewing and approving accounting policies;
- reviewing the annual report and accounts and recommending their approval to the Board.

#### **2.4 Chief Executive Officer (CEO)**

The CEO is the Accounting Officer of the Trust. The CEO is responsible to the Board for ensuring regularity and propriety, and for the economic, efficient and effective use of resources (i.e. ensuring value for money) and the administration of the financial affairs of the schools.

As the Accounting Officer the CEO is responsible for ensuring the trust has appropriate financial systems in place and managing these in accordance with the agreed policies and timetable to ensure financial information is reported to the DfE, ESFA, Companies House and the Charity Commission.

The CEO has appointed others to assist in carrying out these responsibilities.

#### **2.5 Chief Finance Officer (CFO)**

The CFO is responsible for providing information and advice on all financial related issues including:

- Liaising with members, Trustees, staff, ESFA, auditors, other bodies and organisations as and when necessary in all areas concerning financial management.
- Support the CEO in providing financial management information to the Board so they can monitor income and expenditure on a regular basis throughout the year.
- Providing financial management information to the Headteachers in order to assist them in monitoring their school's performance and improve the decision-making process.
- Ensure compliance with ATH, ESFA, Charity Law regulations and statutory requirements.
- Review, update and develop the Trust finance procedures policy as necessary including to compliance with changes to the ATH.
- Ensuring that all financial transactions are in accordance with published procedures and statutory regulations.
- Preparation of consolidated accounts for presentation to the Trust Board in accordance with the agreed schedule.
- Ensuring all financial reporting is completed according to the agreed reporting schedule.
- Manage the Trust bank account including cash flow and investment.
- Being point of contact with the Trust's appointed external and internal auditors.
- Manage and maintain the budgeting, finance and payroll computer accounting systems.
- Preparation and management of Trust budget for central team.
- Implement changes to systems and procedures to improve financial performance and satisfy value for money criteria.
- Assist with the financial monitoring of projects as they are agreed.
- Oversight on bidding for additional funding from the DfE and other sources for the trust in collaboration with other central leads.
- Maintain an asset register for the Trust.

#### **2.6 Business and Governance Lead**

The Business and Governance lead is responsible for providing information and advice on business and governance related issues including:

- Providing general support to ensure effective conduct in accordance with the articles of governance.
- Maintain a risk register for the Trust.
- Maintain business continuity planning & action plans.
- Support the production of the Trustees report for the end of year audited accounts.

## **2.7 Head of Human Resources**

The Head of Human Resources is responsible for ensuring the Trust has appropriate payroll systems in place and managing these in accordance with HMRC tax and pension administration guidelines within the specified timescales:

- Overseeing the Trust's payroll and pension administration.
- Ensuring that the Trust staff payroll is implemented within statutory regulations.
- Ensuring that the pension arrangements are implemented in line with pension organisation regulations (both teaching and support staff pension organisations).

## **2.8 Headteacher**

Headteacher's are responsible in their school for:

- Approving and authorising orders on the purchase ledger.
- Monitoring and authorising transactions in accordance with these finance procedures.
- Preparing the annual budget with indicative figures for the following two-years for approval by the Board.
- Managing the financial position of the school to the approved budget at a strategic and operational level.

## **2.9 School's Finance Manager**

The School's Finance Manager is responsible for:

- Submission of the Trust's VAT returns on a monthly basis.
- Payment of monthly payroll and pension costs and the authorisation of weekly BACS run in accordance with the payment deadlines.
- Completion of monthly financial reconciliations and reporting to the CFO any outstanding reconciling items.
- Providing central finance support to Schools.
- Monitoring each school's financial position throughout the year.
- Providing the CEO, CFO and Headteacher with regular financial updates and alerting them to any concerns in schools.
- Setting the school's budget in conjunction with the Headteacher and CFO.
- Overseeing compliance to the Trust finance procedures policy.
- Overseeing purchasing and ensuring that it is compliant with these finance procedures.

## **2.10 Finance Administrators**

The central team finance administrators are responsible for:

- Processing central team order requests.
- Processing of all invoices, requests for payment and raising BACs and cheques for authorisation across the Trust.
- Raising of invoices to external organisations and processing receipts and direct debit payments across the Trust on the system.
- Processing of journals on behalf of schools.
- Providing advice and support to schools on value for money and producing financial management information including outstanding orders and debts.



### 3. FINANCIAL SYSTEMS AND PROCEDURES

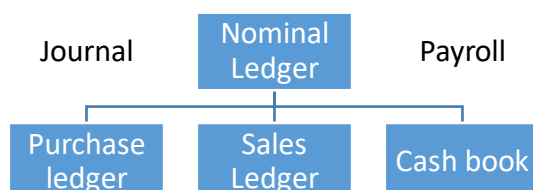
#### 3.1 Accounting system

All the financial transactions of the Trust must be input to the accounting system. The Trust is currently using PS Financials for its accounting and financial management.

ELAN operates a central administration system with the use of PS Financials (PSF) for finance, payroll and personnel.

Access to the full PSF system is restricted to the CEO, CFO and Central Finance Team. Restricted access is available to schools in order to process on line orders.

The system consists of:



Payroll is maintained on separate module called PS People within the PS Financials accounting system. Payroll postings are automated from PS People to PS Accounting into the nominal ledger. The cashbook is reconciled to bank statements monthly.

#### 3.2 System access and security

Entry to computer systems are restricted to appropriate staff each of whom have their own user and password to enable their activities to be tracked and allow the levels of access to be controlled. Password changes are requested every 90 days and should comply with the system password protocol.

Access to PS Financials is restricted to the central finance team, Headteachers and school administrators. The CFO is responsible for setting access levels for all members of staff using the system.

#### 3.3 Back up procedures

Financial data will be stored on a dedicated server hosted by PS Financials Cloud. PS Cloud is located in a highly secure UK datacentre, which is tier 3 and ISO 27001 compliant. Backup copies are also taken daily to a secure secondary location, again hosted by PS Financials.

The Board recognise the importance of protecting computerised financial management systems and the data held therein. The CEO will ensure that the Trust is registered in accordance with the Data Protection Act 1998 and GDPR in May 2018.

The CEO will ensure that effective backup procedures are in place and that all back-up disks or tapes are stored securely.

Access to Trust management computer systems will be limited to authorised staff. These staff will use passwords which should not be disclosed and should be changed every 90 days. Only authorised software will be used to prevent the import of computer viruses. Staff will only have access to those modules appropriate to their duties.

The Board will ensure that a robust system is in place for the secure and encrypted transfer of data by email to ensure the Trust is not open to any data protection breaches.

### 3.4 Transaction posting

All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual. All journal entries are subject to an audit trail on the PS Financial system.

- Only authorised staff are permitted access to the accounting records which should be securely retained when not in use.
- Alterations to any original documents such as cheques, invoices, orders and other vouchers are made clearly in ink and initialled by an authorised person.
- All accounting records including invoices, order forms, bank statements, etc. are retained in line with guidelines, in a secure area.

Bank transactions are entered by the finance administrator and the School's Finance Manager, all banking transactions are reconciled at the end of every month. Reconciliations are checked and signed by the CFO.

Detailed information on the operation of the PS Financials can be found on their zendesk.

### 3.5 Reconciliations

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

- debtors control account;
- creditors control account;
- payroll control account;
- bank balance per the nominal ledger to the bank statement.

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

## 4. FINANCIAL PLANNING

### 4.1 Medium Term Financial Plan

An effective budget must support the Trust's priorities for raising standards and attainment. This can be done by ensuring that the Trust's plan for improving education outcomes and the budget are closely aligned and that the budget reflects the Trust's education priorities.

The Trust improvement plan for raising education outcomes and the budget need to be closely linked so that the Trust can weigh up whether it has enough funds to pay for the activities that it believes are necessary for schools to achieve the educational objectives.

The Trust prepares a medium term financial plan (MTFP) as part of the financial planning process which commences in term 4. The MTFP provides the framework for the annual budget and details the expected resources and planned expenditure for the following year with indicative values in future years.

The principal assumptions included within the MTFP are:

- future numbers of pupils and their characteristics;
- class and group sizes;
- staffing profiles and increments;
- pay and price increases, including those due to inflation;
- changes in revenue and capital income;
- curriculum resources and curriculum development plans;
- occupation costs of running the premises (e.g. energy costs, site services);
- procurement and maintenance (e.g. fabric and fittings, ICT equipment, whiteboards);
- central costs of the trust and contributions from individual schools (ECC).

## 4.2 Annual budget

Each school's Headteacher is responsible for the preparation of their annual budget, in conjunction with the CFO and the School's Finance Manager.

- Headteacher and CFO will agree a draft budget in term 4 annually.
- Each school's Local Governing Body will scrutinise and challenge this draft.
- The CFO will agree a draft budget for the central team with the CEO and senior management team by end of term 4 annually.
- The Finance, Audit and General Purposes Committee will review the draft budget of each school and the central team in term 5.
- The Board will approve the final budget for the Trust in term 6 annually.
- Budgets will be submitted to the ESFA by the required deadline by the CFO.

The Board need to consider the level of reserves the Trust should hold to assist in strategic planning and to ensure the stability of the Trust's operations. This includes its ability to adjust quickly to financial circumstances such as large unplanned expenditure, cyclical maintenance and working capital requirements.

Where reserves are held it is a requirement that Trustees state their reserves policy in their annual report. Any unspent balances will be reported to the Board at year end. Access by schools to uncommitted reserves are through business case proposals to the Finance, Audit and General Purposes Committee. Trustees ensure that any new initiatives are carefully appraised in relation to all likely costs and benefits and their financial sustainability before being formally approved.

***Please refer to the Reserve policy for details.***

## 4.3 Approving the budget

The CFO is responsible for preparing the annual revenue budget in sufficient detail to conform to the Trust reporting requirements. This will enable the effective management of the available funds by the Board who is responsible for ensuring that total forecast expenditure does not exceed the available funds.

## 4.4 Monitoring and review

The Headteacher will be informed of the budget available to them at the beginning of the academic year. It is the responsibility of the Headteacher to manage the budget and to ensure that the funds available are not overspent.

A monthly report detailing actual expenditure against budget will be supplied to the Headteacher and web access is available in the interim. Headteachers are encouraged to check their budgets on a regular basis to ensure that spending is kept within the budget limits.

Monthly reports will be prepared by the School's Finance Manager in conjunction with the Headteacher and school administrators. On a quarterly basis the Chair of the Local Governing Body will receive a copy of the school's budget monitor for review at meetings. Day to day responsibility for monitoring and control lies with the Headteacher.

Any potential overspend in the school budget in the first instance is reported to the Headteacher by the School's Finance Manager who will work with the school to mitigate the outturn position.

If the Headteacher and School's Finance Manager are unable to project a balanced budget by year-end, the Headteacher will meet with the CFO to agree a deficit recovery plan or agree access to brought forward funds.

It is essential that reports produced are accurate as far as reasonably possible. The CFO is responsible for ensuring that quality controls are in place so that reports are of a sound standard. Staff responsible for the production of financial reports must ensure that they take appropriate steps to guarantee the reliability of the information.

Board Members and the CEO will periodically review the provision of financial information to ensure that what is provided remains appropriate, particularly in terms of its timing, level of detail and narrative information.

## 5. FINANCIAL REPORTING AND AUDIT

### 5.1 Financial management reporting

The following reports will be produced by the CFO:

- Monthly detailed management accounts with forecast year end outturn for the Chair of the Board and the CEO.
- Six times a year summarised management accounts with forecasted year end outturn for the Finance, Audit and General Purposes Committee or the Board.

### 5.2 Audit

The Trust must produce fully audited company accounts as at the 31 August each year. The Trustees must appoint a statutory auditor who is registered under the requirements of the Companies Act to conduct an audit in line with company accounts requirements, SORP for charities and certify the accounts are “true and fair”.

Final accounts must be published and submitted to the ESFA in accordance with current regulations and ESFA guidelines.

Internal audit reviews of financial and procedural matters are carried out by an independent internal auditor. The CFO will report findings of the reviews to the Finance, Audit and General Purposes Committee.

## 6. TRANSACTIONS WITH RELATED PARTIES

### 6.1 Register of pecuniary interests

The Board and staff should consider any business, commercial or financial interests they may have which might give rise to a potential conflict of interests leading to suggestions that their objectivity and integrity is compromised. Pecuniary interests should be confidentially recorded for consideration by the Board and the CEO.

The register of business interests should be formally referred to prior to the acceptance of quotations or the awarding of contracts. It will be minuted by the Board that this procedure has been followed.

The Board and staff have a responsibility to avoid any conflict between their business and personal interests and affairs and interests of the Trust. A register of business interest will be maintained for both the Board and staff with an influence over spending decisions. The register should be made available for inspection by the Board, staff and parents (appendix A).

The register will include all business interests such as directorships, share-holdings and other appointments of influence within a business or other organisation, which may have dealings with the Trust. The disclosures should also include business interests of relatives and other individuals who may exert influence.

The Clerk to the Board, on behalf of the Board must maintain a register of pecuniary / business interest forms for each member of the Board and the CEO recording business interests. The register must be kept up to date with notification of changes and through a recommended annual review of entries.

The Board will ensure that all members of staff are aware of the responsibilities for declaring any links or personal interests which they have with regard to contractors and suppliers. The CEO will maintain, in a suitable form, a record of the details of those members of staff who declare any links or personal interests which they have with contractors and suppliers.

***Please refer to the Anti-fraud and business ethics policy for details.***

## **6.2 Related party transactions**

The Trust must report all transactions with related parties to the ESFA in advance of the transaction taking place using the on-line form.

The Trust must obtain ESFA's prior approval, for contracts for the supply of goods and services to the Trust by a related party agreed on or after 1 April 2019 where any of the following limits arise:

- contract exceeding £20,000.
- contract of any value if there have been contracts exceeding £20,000 individually or cumulatively with the related party in the same financial year.

For the purposes of reporting to and approval by the ESFA transactions with related parties do not include salaries and other payments made by the Trust to a person under a contract of employment.

Sufficient records will be maintained to make sufficient disclosures in the annual accounts to show that transactions with these parties have been conducted in accordance with the high standards of accountability and transparency required within the public sector.

***Please refer to the Anti-fraud and business ethics policy for details.***

## **6.3 At cost requirements**

To comply with the at cost requirements the trust must pay no more than cost for goods or services provided to it by a Trustee, member or their relatives whether as an individual or organisation.

# **7. PAYROLL**

## **7.1 Payroll administration**

The Head of Human Resources and Payroll will where possible, allocate duties to ensure that an appropriate division of duties exists in the area of completing, checking and authorising of all documents and claims relating to appointment and termination of employment and expenses.

All overtime worked must have the prior authorisation of a member of the school leadership team or central leadership team. Overtime claims completed at the end of each month are paid with the following month's salary. All claims must be submitted within 2 months.

All payroll files are kept securely in the central HR office. Access is restricted to the Board, Headteacher, central HR and finance staff. Payroll records are kept in a fireproof cabinet in the central office. Net payments to staff and external agencies are made by the banks automated clearing system (BACS).

It is the responsibility of the Head of Human Resources and Payroll to ensure that payments are made by the required statutory dates so that no unnecessary fines are incurred.

## **7.2 Payroll payments**

Payroll transactions will be processed only through the Trust payroll system. Payments for employment will not be made to staff or visiting lecturers through any other mechanism. All payroll transactions relating to staff employed by the Trust (contracted staff) will be processed against official ESFA funds (General Annual Grant or GAG) and not a voluntary unofficial funds.

The Trust will comply with the procedures determining employment or self-employment of individuals (appendix B). Unless an individual has provided clear evidence of self-employed status, all payments to individuals will only be processed through the payroll system in line with HMRC guidance.

### **7.3 Staff appointments**

All new positions require an authority to recruit (ATR), for positions within the approved budget these must be signed by the Headteacher and are reviewed by the central finance and HR teams. Senior leadership and management positions require the CEO's authority in addition to the Headteacher. All new positions outside of the approved budget must be authorised by the CEO and reviewed by HR and finance and reported to the Board.

Payroll documentation for new appointments and resignations including salary statements must be signed as follows:

#### **Central team posts**

- CEO to be signed by Chair of the Board;
- CFO to be signed by CEO and Chair of the Board;
- All other staff must be signed by CEO and CFO.

#### **School posts**

- Trust wide appointments to be signed by the CEO;
- Headteacher appointments to be signed by the CEO and Chair of the Board;
- All other staff must be signed by the Headteacher (or the deputy headteacher in the absence of the Headteacher);
- All other payroll documentation must be signed by the Headteacher.

Contract amendments can be authorised by the Headteacher as long as the amendment is within the agreed budget.

### **7.4 Staff severance payments**

Trustees must consider the following issues before making a binding commitment:

- Trustees must reasonably consider the proposed payment to be in the interests of the Trust.
- Is such a payment justified, based on a legal assessment of the chances of the Trust successfully defending the case at employment tribunal? If there is a significant prospect of losing the case then a settlement may be justified, especially if the costs incurred in maintaining a defence are likely to be high. Where a legal assessment suggests that the Trust is likely to be successful, then a settlement should not be offered.
- If the settlement were justified, the Trust would then need to consider the level of settlement. This must be less than the legal assessment of what the relevant body (e.g. an employment tribunal) is likely to award in the circumstances.
- Staff severance payments should not be made where they could be seen as a reward for failure, such as gross misconduct or poor performance. The only acceptable rationale in the case of gross misconduct would be where legal advice is that the claimant is likely to be successful in an employment tribunal claim because of employment law procedural errors. In the case of poor performance, an acceptable comparison would be the time and cost of taking someone through performance management and capability procedures.
- Trusts have delegated authority to approve individual staff severance payments provided any non-statutory or non-contractual element is under £50,000. Where the Trust is considering a non-statutory or non-contractual payment of £50,000 or more the ESFA's prior approval must be obtained before the Trust makes any binding settlement offer to staff.



### **7.5 Compensation payments**

The Trust must base its decision on a careful appraisal of the facts, including legal advice where relevant, and ensure that value for money will be achieved.

- Trusts have delegated authority to approve individual compensation payments provided any non-statutory or non-contractual element is under £50,000. Where the Trust is considering a non-statutory or non-contractual payment of £50,000 or more the ESFA's prior approval must be obtained.
- Trusts should routinely consider whether particular cases reveal concerns about the effectiveness of internal control systems, and take any necessary steps to put failings right.

### **7.6 Ex gratia payments**

Ex gratia payments can include payments made to meet hardship caused by official failure or delay, and payments to avoid legal action on the grounds of official inadequacy.

Ex gratia payments must always be referred to the ESFA for prior authorisation. HM Treasury approval may also be needed dependent on the nature of the transaction.

### **7.7 Novel and contentious transactions**

Novel and/or contentious transactions must always be referred to the ESFA for explicit prior authorisation in line with the ATH.

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, the public or the media.

## **8. FINANCIAL ADMINISTRATION**

### **8.1 Accruals and prepayment schedules**

Accruals and prepayment schedules are used to ensure that income and expenditure is recorded in the month or financial year to which it relates (when the goods or services were received/provided). Accruals and prepayment schedules are completed on a monthly basis for individual items of income or expenditure with an annual value greater than £12,000. Accruals and prepayment schedules are completed at the year-end for any value over £500.

Types of schedules include:

- Accrued Expenditure – e.g. For goods or services received by 31st August but not paid by this date such as utilities bills, telecommunications etc,
- Accrued Income – e.g. For goods or services provided by 31st August but income not received by this date such as settlement of invoice, expected supplier refunds/credit notes,
- Pre-paid Expenditure – e.g. Payments made by 31st August for goods or services to be received after 1st September such as annual contracts,
- Deferred Income – e.g. Income received by 31st August for goods or services to be provided after 1st September such as lettings income received in advance.

Without year end schedules, the following risks may occur:

- Balance at year end could be over or understated.
- Use of historical spend to set budgets could be flawed.
- Financial decisions based on inaccurate assessment of the school's/Trust's financial position.

## **8.2 Virements / updates to submitted budget**

The Headteacher may authorise any one virement from any one budget heading to another budget heading up to a maximum of £3,000. Any one proposed virement greater than £3,000 must be referred to the CFO for approval before forwarding to the CEO.

Proposals for virements in excess of £10,000 must be referred to the Finance, General Purposes and Audit & Risk Committee for approval.

## **8.3 Journals**

The purpose of journals is to move expenditure or income between cost centres and nominal. The reasons for journals are to correct miscodings, apportionments and internal trading activities.

All journals are processed by the central finance team. Schools may request a journal by completing a journal request form which is authorised by the Headteacher or by written consent by the Headteacher via email.

Internal trading activity charges are notified to Headteachers prior to the transaction being carried out.

On a monthly basis a journals report is produced and reviewed by the CFO.

# **9. PROCUREMENT**

## **9.1 Value for money**

The Board recognises the principles of value for money and aims to achieve best value for money from all its purchases. A large proportion of the Trust's purchases will be paid for with public funds and they need to maintain the integrity of these funds by following the general principles of:

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

The CFO is responsible for ensuring procedures are in place for testing the market, placing of orders and paying for goods and services in accordance with the Master Funding Agreement and these financial procedures.

If the anticipated value of a contract or purchase is between £5,000 and £25,000 then at least three written quotations must be obtained and approval to spend must be sought by the CEO and CFO.

Where a contract or purchase is estimated between £25,000 and £50,000 the CFO should be contacted to discuss the business case requirements. The approval process would be via the finance, audit and general purposes committee.

All contractors are to be checked for technical ability and that the relevant insurance cover has been obtained. Assistance in establishing the technical ability of a contractor can be obtained by contacting the Estates and Buildings Manager.

Competitive quotations should be obtained where appropriate following guidance shown in table below before an order can be issued. The central team must handle the procurement process where a pecuniary interest has been identified within the school with a quoting supplier.



<b>Value of order</b>	<b>Procedures</b>	<b>Authority to proceed</b>
Below £5,000	Comparison of supplier catalogues, verbal enquiry or written confirmation.	Headteacher
£5,000 - £25,000	Three written quotations to be obtained.	CEO & CFO
£25,000 - £50,000	Three written quotations to be obtained and a formal business case.	Finance, Audit and General Purposes Committee approval.
£50,000 - £185,000	Competitive tendering process.	Co-ordinated by the central team and approved by the Board.
Over £185,000 or the current published public contract regulations threshold, whichever is lower	Competitive tendering process through Find a Tender (FTS) or a framework agreement through buying for schools.	Co-ordinated by the central team and approved by the Board.

For recurring services, the value and quality of the service will be evaluated at the time of renewal but unless there is evidence to suggest that value for money is not being achieved then a formal re-tendering process will not be undertaken.

The Business and Governance Lead will maintain a register of all contracts and operating leases entered into by the Trust. Hire purchase agreements and finance leases should not be entered into under any circumstances.

## **9.2 Competitive tendering process**

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

**Open Tender:** This is where all potential suppliers are invited to tender. The Headteacher must discuss and agree with the Business and Governance lead how best to advertise for supplier's e.g. general press, trade journals or to identify all potential suppliers and contact directly if practical. This is the preferred method of tendering, as it is most conducive to competition and the propriety of public funds.

**Restricted Tender:** This is where suppliers are specifically invited to tender. Restricted tenders are appropriate where:

- there is a need to maintain a balance between the contract value and administrative costs;
- a large number of suppliers would come forward or because the nature of the goods are such that only specific suppliers can be expected to supply Trust's requirements;
- the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.

**Negotiated Tender:** The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances:

- the above methods have resulted in either no or unacceptable tenders;
- only one or very few suppliers are available;
- extreme urgency exists;
- continuation with the existing supplier is justified.

The invitation to tender should state the date and time by which the completed tender documentation should be received by the Trust. Tenders should be submitted electronically to the Trust's procurement inbox – [procurement@extendlearning.org](mailto:procurement@extendlearning.org) and be clearly marked in the email title that it is a tender and the contract description. Tenders received after the submission deadline will be declined.

The Business and Governance lead will access the procurement inbox and forward on accepted tenders to the member of the central team leading on the procurement process.

When evaluating tenders consideration should be given to:

Cost - Care should be taken to ensure that competing suppliers have quoted for the same service. Where discrepancies arise, suppliers should be contacted to amend their quotes where necessary to ensure a fair comparison between suppliers. There may be scope for negotiation on cost if a particular supplier is preferred for quality reasons, but is not the cheapest.

Quality - Due regard should be given to the qualifications and experience of the contractor, and the quality and suitability of the goods/services offered. Where necessary, references should be sought from other customers.

The evaluation process will involve a senior leader, an independent member and the procuring member of the central management team. A report detailing the tendering suppliers, price tendered and all criteria used for evaluation will be prepared for the Board summarising the options and giving a recommendation.

The accepted tender should be the one that is economically most advantageous to Trust.

### **9.3 Routine purchasing**

No expenditure should be incurred or commitment entered into without formal delegated authority. Purchase orders must always be signed by the budget holder.

No service or provision of goods contract of duration of more than 12 months can be entered into without consulting the Business and Governance lead. Authorisation in writing must be given by the CFO, no matter what the value of the contract.

Where the contract is for an enduring service valued above £25,000 per year, Finance & Audit committee authorisation is necessary if it is not planned to use a multi-year contract.

All purchase orders must be priced before submission for authorisation, unless exceptional circumstances prevail in which case an explanation will be required and a best guessed estimate must be given. Purchase orders must be submitted with all quotations received and retained together.

### **9.4 Staff expenses**

No Petty cash is held by the schools. All claims for reimbursement/expenses will be paid via the BACs system. The Headteacher (in schools) or line manager (in central team) must authorise expenditure before the purchase of any goods or services, unless in exceptional circumstances.

The maximum amount for non-purchase order expenditure is £50. In exceptional circumstances planned non-order purchase exceeding this limit must be authorised by the CFO. A valid VAT receipt should accompany all expenditure and attached to the claim form (attached at Appendix C).

***Please refer to the guidance for making expense claims from the central finance team.***

### **9.5 Scheme of delegation**

The Board recognises the importance of clearly defining the roles and responsibilities of its committees, the CEO and other staff. The terms of reference for the Board and its committees are laid out in a separate document.

The Board subject to their terms of reference, will decide how to spend the individual General Annual Grant (GAG) budget allocated by the Education Skills Funding Agency (ESFA) subject to:

- any conditions in the Master Funding Agreement to protect its legal duties;
- the budget only being spent for the purposes of the Trust;
- specific grant funding only being spent to meet the conditions appertaining to that grant.

The Chair of the Board will take responsibility for the financial control and management of the trust in the extended absence of the CEO.

### 9.6 Separation of duties

In order to reduce the risk of error or intentional manipulation the Board and the CEO will ensure the separation of those responsibilities or duties which would, if combined, enable one individual to record and process a complete transaction.

Wherever possible the following duties will be separated:

- authorisation – of a transaction such as a purchase order or payment;
- execution – the placing of an order, receiving of goods and services;
- custody – the holding of goods and services;
- recording – the completion of accounting records.

### 9.7 Purchase orders

Purchase orders will be processed by the school administrator through the purchasing system and will be authorised in accordance with the limits of financial delegation.

Task	Responsible officer
Orders raised	Budget holder
Orders processed	School administrator
Orders authorised	Headteacher/ School's Finance Manager/ CFO
Goods and services checked in/ returns made	School administrator
Payments processed	Finance administrator
Payments authorised	Headteacher/School's Finance Manager/ CFO

Any telephone or verbal orders must be confirmed by a purchase order within 3 working days. Non-order invoices are discouraged wherever possible.

### 9.8 Goods and services received

Schools should make appropriate arrangements at the time of purchasing for the delivery of goods and services. All deliveries should be addressed to the school and not to individual staff addresses.

The school administrator should ensure that there are systems in place to ensure that a detailed check of the goods received against the goods received note and make a record of any discrepancies between the goods delivered and the goods received note.

Goods returned to the supplier should be recorded on the goods return delivery note. This includes a description of the goods, the reason for the return and the date returned via post, courier etc. A copy should be retained with the delivery records to ensure that the items are not included on the invoice for payment.

If no goods received note is received the invoice received should serve as a replacement and should be checked against the original purchase order. Discrepancies should be raised with the supplier without delay.

### **9.9 Invoice payments**

Invoices will only be paid when the school administrator has shown approval that goods and services have been received and are of the quality expected. Payment should be made within reasonable time limits and discounts taken for quick payment where appropriate, ensuring that the Trust has paid the invoice within the payment terms.

All invoices are retained by the central finance office for six years, plus the current year.

### **9.10 New suppliers and amendments**

Additions and amendments to supplier records in PSF is controlled by the central finance team. A 'new supplier details / amendment' form must be completed by the supplier and reviewed by the central finance team before any amendments or new suppliers are made on PSF.

The central finance team ensure that the supplier is genuine and independently verify the supplier's bank details and any changes to bank details.

### **9.11 Purchase cards**

The purchase card is issued for the express function of obtaining goods and services for the Trust or for payments relating to business expenses incurred in the course of the cardholders' official duties.

The CFO will approve any applications for purchase cards including cardholders and associated limits. All cards must be kept securely in the safe at all times and signed in/out when taken off site.

Purchase cards are to be used as an exception and the purchase ordering system should be used wherever possible to ensure commitments are subject to approval. A limit of £200 has been set across the Trust, purchases over this limit are subject to prior approval by the CFO or School's Finance Manager.

Care should be taken to ensure a VAT receipt is provided to ensure that VAT can be reclaimed (and the goods will be charged to the school at the VAT exclusive price).

### **9.12 Direct debit payments**

Suppliers that are paid by direct debt will be entered on the purchase ledger as payment by direct debit so that these do not appear on the supplier payment run. Direct debit payments can only be authorised by the CFO and the direct debit mandate signed by a bank signatory.

### **9.13 Value added tax**

Under DfE regulations for academies, VAT can be recovered on all expenditure, revenue and capital where VAT has been charged by the provider of the goods or service.

All transactions must be appropriately coded to the correct VAT rate when entered into the accounting system. This is essential to ensure that Input VAT (expenditure) can be offset to Output VAT (income) on a monthly VAT report to be submitted to the HMRC.

The Trust will submit a VAT Return for all academies within the Trust on a monthly basis. The VAT reimbursement (the balance between Input and Output VAT) will be passed onto each academy when received from the HMRC. The Trust is therefore able to set a budget based on net values, assuming full recovery of VAT.

### **9.14 Goods and services for private use**

The Trust will avoid practices such as obtaining goods and services that may include an element of private use for staff and or Trustees. The Board and staff will also avoid accepting excessive hospitality, entertainment, or other services from existing or prospective suppliers.

## **10. INCOME**

### **10.1 General income matters**

The main source of income for the Trust are grants from the ESFA and the Local Authority. The receipt of these sums is monitored directly by the CFO who is responsible for ensuring that all grants due to the Trust are collected.

The Trust also obtains income from:

- pupils mainly for trips;
- public mainly for lettings.

The letting of premises and grounds should always be subject to a formal agreement, even when the hirer or user is connected to the Trust.

The CFO is responsible for the correct accounting of all income due to and cash collected by the Trust. Where possible the CFO will ensure that the responsibility for determining sums due to the Trust is separated from the responsibility for collecting and banking such sums.

Where invoices are to be raised the central finance team will do so promptly. The invoice will clearly detail the service or goods provided the settlement date and the payment required.

Sums received will be reconciled from the school information to the bank.

### **10.2 Unofficial school fund**

It is the responsibility of the trip organiser to ensure that sufficient funding is available to cover the cost of all trips. Collection of any cash/ cheques is to be collected by the school office, banked and recorded on the banking template and sent to the central finance team weekly.

All fund raising by pupils, for charitable purposes, should be paid directly to the central finance team for banking, in readiness for payments to be made by cheque to the named charity. All requests for payment should be accompanied by invoices, or request for payments form signed by the relevant budget holder. The accounts are included with the annual accounts and as such are audited during the annual audit.

### **10.3 Gifts and hospitality register**

As a general rule staff must not accept from suppliers or contractors or potential suppliers and contractors or from any firm or organisation with whom the Trust has had, is having or may have any dealings of any kind:

- Any gift (other than an inexpensive seasonal gift such as a calendar or diary for use in the office) and where refusal would cause needless offence and the giver is not seeking a business decision but merely wishes to express thanks for service, advice, help or co-operation.
- Any hospitality without the authorisation of the CEO or Chair of the Board.
- A register will be maintained by the CEO to record all particulars of gifts and hospitality.

***Please refer to the Anti-fraud and business ethics policy for details.***

### **10.4 Debt monitoring**

All debts will be monitored at monthly intervals via an aged debtor report in the accounting system. The finance administrators will provide schools with a termly report of outstanding debts on the system.

### 10.5 Debt recovery

The Trust requires that persons who do not pay receive a follow up demand and subsequent follow up and appropriate further action. The following recommended timescale and actions will be applied in respect of debt monitoring.

Outstanding	Required action
30 days	Telephone call by the school to chase the debt.
60 days	Reminder letter sent to the customer notifying them of a suspension of the letting or service provided until payment is made.
90 days	Final reminder letter sent to the customer.

### 10.6 Write-off

All debts regardless of age should still be attempted to be collected and will remain as a bad debt until it is written off.

The CEO with delegated responsibility from the Board has a write-off limit of up to and including £1,000. The CFO must consult the Chair of the Finance, Audit and General Purposes Committee of the intention to write off the debt and formally inform the Board at the next meeting.

The decision to recover a debt up to and including £2,500 will be made by the Finance, Audit and General Purposes Committee or the Board. The decision will be given consideration following a report from the CFO and it will be clearly minuted.

The CFO and Board will be advised of any debt that exceeds £2,500, so that appropriate debt recovery action can be taken. Before the decision to write off the debt can be made each case will be considered on its merits and will include consideration of factors such as the value of the debt in relation to the cost of recovery and the likely success of proceedings.

### 10.7 Charging and remissions

The Board will review the charging and remission policies at least every three years based on recommendations put by the CFO. The policies adopted will be based on the guidance issued by the ESFA and the Trust.

***Please refer to the Charging and Remissions policy for details.***

### 10.8 ESFA borrowing requirements

In line with the Master Funding Agreements Trust's must seek the 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 and regardless of the interest rate chargeable.

## 11. CASH MANAGEMENT

### 11.1 Custody and security of cash

All cash and cheques must be kept in the school office safe prior to banking. Banking should take place weekly and more frequently if the sums collected exceed the safe insurance limit of £500. All income received is recorded and reconciled to the banking summary and will not be used to cash personnel cheques.

### 11.2 Cash management

The financial resources of the Trust will be managed through one main operational bank account. The current bank for the Trust is held with Lloyds bank plc.



### **11.3 Bank accounts**

The setting up and opening of bank accounts is managed by the central finance team, and academies may not transfer funds to any other account without the express authority of the CFO.

The opening of any other account should be discussed with the CEO and authorised by the Board who should set out, in a formal memorandum, the arrangements covering the operation of account, including any transfers between accounts and cheque signing arrangements.

The bank has been advised that the account must not become overdrawn as Trusts are prohibited from borrowing to finance a revenue deficit in accordance with the Master Funding Agreement.

### **11.4 Bank reconciliation**

Reconciliations are performed by the central finance team within five working days of the end of the month. The CFO certifies the reconciliation.

Statements must be reviewed, checked and formally reconciled to the accounting system at least monthly. The reconciliation report must be retained on file with each bank statement, and printouts of outstanding debits and credits should be attached to the reconciliations.

Bank statements must be checked to ensure:

- All expenditure items – BACS payments, cheques, purchasing card transactions and online banking transactions – have been listed;
- There are no incorrect entries, or those that do not apply to this account;
- The entry amounts match the invoices, receipts or other transactions;
- That all income and banking has been listed.
- Unpresented cheques over 6 months old should be written off.

The reconciliation and any discrepancies are reported for investigation to the CFO.

### **11.5 BACS**

A bank payment report will be sent to the Schools Finance Manager or CFO for authorisation prior to BACS payments being submitted for payment. The BACS payment must be authorised by two authorised personnel, one of which must be the Schools Finance Manager or the CFO.

The CFO will ensure there is adequate separation of duties between the preparation, loading and authorisation of BACS payments and cheques.

If payments are to be made by BACS transfer, the central finance team must ensure that the details of the receiving bank account are correct. Schools must ensure that new suppliers complete a new supplier form on letter headed paper. The central finance team will then contact the new supplier independently confirming bank details and will check to the first invoice raised.

### **11.6 Cheques**

All cheques will be signed by two authorised personnel and each cheque drawn on public funds must be signed by at least either the CEO or the CFO.

Cancelled cheques should be defaced and retained.

### **11.7 Controlled stationery**

The following are defined as controlled stationery and should be recorded, with serial numbers, on receipt, on opening and on completion. Books should not be split, and blank forms secured when not in use:

- receipt books;
- cheque books;
- paying-in books.

Controlled stationery is available from the central finance team and is kept securely in a locked receptacle.

### **11.8 Cash flow forecasts**

The CFO is responsible for preparing cash flow forecasts to ensure that the trust has sufficient funds available to pay for day-to-day operations. If significant balances can be foreseen, steps will be taken to invest the extra funds. Similarly plans should be made to transfer funds from the investment account to cover potential cash shortages.

### **11.9 Investments**

Investments must be made only in accordance with the investment policy and the ESFA guidance specified in the Academy Trust Handbook.

*Please refer to the Investment Policy for details.*

## **12. ASSETS**

### **12.1 Fixed asset register**

The Trust must seek and obtain prior written approval from the Secretary of State, via the ESFA, for the following transactions:

- acquiring a freehold on land or buildings;
- disposing of a freehold on land or buildings; and
- disposing of heritage assets beyond any limits set out in the Trust's Master 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.
- The Trust may dispose of any other fixed asset (i.e. other than land, buildings and heritage assets as described above) without the approval of the Secretary of State.
- The Trust must ensure that any disposal maintains the principles of regularity, propriety and value for money. This may involve public sale where the assets have a residual value.
- Some property transactions may be novel or contentious and so require the consent of the Secretary of State on that basis.

All losses must be reported to the CFO. The Headteacher should ensure that the police have been informed, if the loss is as a result of burglary or theft and the insurance company is informed at the same time. Action is taken immediately to prevent further loss.

### **12.2 Disposal of assets**

Surplus portable assets financed from the school grant funding can only be disposed of by sale or destruction following written authorisation by the CEO. The income realised from the sale of assets will be retained by the school making the original purchase.

Items expected to realise up to £100 will be advertised, items expected to realise between £100 & £10,000 will be offered for sale giving priority to other schools within the trust and then other schools accordingly.

Items expected to realise in excess of £10,000 will be approved by the board. Surplus assets funded from other funds will be offered to the trust for relocation.

If the asset, for which a capital grant in excess of £20k was received, the approval of the ESFA is required prior to sale or disposal.



### **12.3 Loan of assets**

Items of property should not be removed from the premises without the appropriate delegated authority. A record of any loan should be recorded and the record updated when the asset is returned.

During holiday periods, for security reasons, staff may take high value assets home. The position relating to insurance should be clarified and explained to the staff concerned before any assets are taken off the premises.

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. This has implications both for tax purposes for the individual concerned and for the proper use of public funds. Loans should therefore be kept under review and advice sought as appropriate.

### **12.4 Security of stock and other property**

The CFO will ensure that a register of assets and inventory is maintained in accordance with the provisions of the ESFA Academy Trust Handbook. Inventories will be checked at least annually and any discrepancy shall be investigated. The Board will be informed of surpluses and deficiencies revealed by an inventory check.

An inventory should:

- form an important part of the school's procedures for ensuring that staff take responsibility for the safe custody of assets;
- enable Trust management to undertake independent checks on the safe custody of assets, as a deterrent against theft or misuse;
- help the Trust to manage the effective utilisation of its assets and to plan for their replacement;
- support insurance claims in the event of fire, theft or other losses.

It is good practice to ensure that items particularly at risk should be permanently and visibly marked as the school's property and there should be a regular, annual count by someone other than the person maintaining the inventory.

The CFO and Estates Manager will advise the Trust on the asset management reporting required by the ESFA, and the financial accounting of asset depreciation.

Safes and similar storage facilities will be kept locked and the keys removed to be held by the key holder who will be nominated by the Headteacher. Normally key holders will carry keys on their person and keys must not be left on the premises overnight. A list of key holders will be maintained by the Estates Manager and loss of any keys must be reported to the Estates Manager and where necessary the central team.

## **13. INSURANCE AND RISK MANAGEMENT**

### **13.1 Insurance**

It is the responsibility of the CFO and Business and Governance lead to ensure that the adequacy of insurance is reviewed annually and reported to the Finance, Audit and General Purposes Committee.

Schools should immediately inform the central team of all accidents, losses and other incidents which may give rise to an insurance claim. Claims under an insurance policy must be authorised by the CFO before submission to the insurance company. An annual return of all insurance claims is submitted to the Board at the end of each financial year.

The Board will periodically consider whether to insure risks that are not covered by an existing policy arranged by the Trust. The cost of premiums for any additional cover should be met from the schools budget.

### **13.2 Risk management**

The Trust's risk management strategy aims to raise awareness about the need to address strategic and operational risks and to provide good practical guidance for schools to manage risks in an effective and formal way.

The Business and Governance lead is responsible for ensuring that an up to date register is maintained.

## **14. ANTI-FRAUD AND WHISTLEBLOWING**

### **14.1 Anti-fraud and anti-corruption**

The Board and staff have a duty to report another member of staff, Local Governing Body or Board Trustee whose conduct is reasonably believed to represent a failure to comply with the anti-fraud and anti-corruption policy. Allegations of suspected fraud should be brought to the attention of the CFO and also referred to the CEO, unless this individual is involved in the irregularity in which case the Chair of the Board should be informed.

The Board and staff have a shared responsibility in respect of preventing and detecting fraud. This incorporates theft, larceny, embezzlement, fraudulent conversion, false pretences, forgery, corrupt practices and falsification of accounts.

Corrupt practices are defined as the offering, giving, soliciting or acceptance of an inducement or reward which may influence the actions taken by the Trust, its staff or those in a position of governance.

***Please refer to the Anti-fraud and Business Ethics policy for details.***

### **14.2 Whistleblowing**

All aspects of the Trusts activities should be run with full regard for high standards of conduct and integrity. If you become aware of activities which give cause for concern, the Trust have established and approved a whistleblowing (safeguarding) policy.

The Board is committed to creating a climate of trust and openness so that a person who has genuine concern or suspicion can raise the matter with full confidence the matter will be appropriately considered and resolved.

***Please refer to the Anti-fraud and business ethics policy for details.***

## APPENDIX A - Register of Business, Pecuniary and Other Interests

<b>Name:</b> <i>(Please print)</i>
<b>Address:</b>
Member <input type="checkbox"/> Trustee <input type="checkbox"/> Governor <input type="checkbox"/> Member of Staff <input type="checkbox"/> <i>(Please tick relevant box)</i>

It is a legal requirement that the Trust maintain a Register of Business, Pecuniary and Other Interests. Each Member, Trustee, Governor and member of staff are required to complete a declaration annually and ensure that it is updated throughout the year as and when any Personal, Business or Pecuniary interest may arise.

### Which Interests Should I Declare?

- Any conflict of interest – where your personal interests or loyalties could, or could be seen to, prevent you from making a decision only in the best interests of the Trust
- Any conflict of loyalty – where your loyalty or duty to another person or organisation could prevent you from making a decision only in the best interests of the Trust
- Any business or pecuniary interest (direct or indirect) – including any links you have with local businesses or organisation from which the Trust may / does buy goods or services from
- Any of the above which apply to members of your immediate family.

### When Should I Declare Them?

- Annually when completing this form
- Whenever your circumstances change
- As soon as it is practical and at any meeting where the proposal, contract or other matter is being discussed and / or voted on.

**If you have no such interests please write “NIL” in the table below – for completeness of the Trust’s records NIL returns are required.**

<b>Pecuniary interests</b>	<b>Please provide details of the interest</b>
Please indicate if you are an <b>employee of the Trust</b> and your position	Employed by the Trust: <b>Yes</b> <input type="checkbox"/> <b>No</b> <input type="checkbox"/>  Position:
Please indicate if you are an <b>employee/governor/trustee/volunteer at another School / Academy / Trust</b>	
Please detail any <b>businesses of which you are a Partner or Sole Proprietor</b>	
Please detail all <b>companies of which you are a Director</b>	
Please detail all <b>organisations of which you are a Trustee</b>	
Please detail any <b>membership of professional bodies, membership organisations, public bodies or special interest groups</b> of which you are a member <b>and have a position of general control or management</b>	
Please detail any <b>gifts or hospitality offered to you by external bodies while acting in your position as a governor/trustee/staff member and whether this was declined or accepted</b> in the last 12 months	
Please detail any <b>directorships, partnerships or employments with businesses that provide goods and/or services to the trust/schools</b>	
Please detail any <b>immediate family members or people you have close connections to that are an employee/governor/trustee within the trust/schools.</b>	
Please detail any <b>business involvement/company directorships or trusteeships of any family members or people that have close connections to you that provide goods and/or services to the trust/schools.</b>	
<b>Any other relevant interests</b>	

To the best of my knowledge the information supplied above is correct and complete. I understand that it is my responsibility to declare any conflict of interest/loyalty, business or personal that relates directly or indirectly, to myself or any relation in any contract, proposed contract or other matter when present at a meeting for the Trust where such contract or matter comes under consideration. I understand that I must withdraw from any meeting during the discussion of such contract or matter and must not vote in respect of it.

I agree to review and update this declaration annually and give consent for the information provided to be used in accordance with the trust/school's conflicts of interest policy.

**Signed** ..... **Date** .....

## APPENDIX B - EMPLOYMENT STATUS - EMPLOYED OR SELF-EMPLOYED?

The following guidance applies to payments to individuals or sole traders.

It does **not** apply:

- where payment is to organisations - limited companies, partnerships, charities, Trusts, clubs, public sector bodies etc - normal purchasing processes apply;
- where individuals are appointed as "office" holders under statutory requirements for example Trust Improvement Partners, National Challenge Advisors or similar roles. These individuals must be paid via payroll even if they have their own limited company;
- entertainers, musicians, actors – special rules apply; please check with the central finance team.

### GUIDANCE FOR THOSE ENGAGING INDIVIDUALS

#### Why is employment status important?

Whenever a Trust engages the services of an individual, HM Revenue and Customs (HMRC) requires that a decision is made regarding their 'employment status', i.e. whether the individual should be treated as self-employed or as an employee. Naturally, this has implications for any payments the Trust makes. In particular, when it is determined that the individual is to be regarded as an employee, deduction of income tax and national insurance is made from payments through the payroll system. This is obviously the case for staff with a contract of employment, but it does also apply to other people who undertake work for the Trust without such a contract.

HMRC are very clear that an assumption of self-employment cannot be made, even where the individual has been treated as self-employed previously. The following quotes are taken from their web site:

"It is a general requirement that those wishing to take on workers consider the terms and conditions of a particular engagement to determine whether the worker is an employee or self-employed."

"Just because a worker is self-employed in one job, doesn't necessarily mean he or she will be self-employed in another job."

Deciding whether an individual can be treated as self-employed or not is sometimes contentious, particularly with the individual concerned, who may regard a previous decision of self-employment as sufficient to support similar treatment on subsequent engagements. However, the following points are useful to bear in mind:

- It is the responsibility of the employer and not the individual to ensure that appropriate tax and National Insurance (NI) deductions are made.
- If an individual is treated as self-employed and HMRC discover, when auditing, that this is an error the Trust would become liable for the tax and NI that should have been deducted. Dependent on the extent of any transgression, fines and interest could also be imposed. If a person is treated as self-employed and the decision is later reversed, it is very difficult to then recover the tax and NI that should have been deducted. However, if a person is treated as employed and this decision is reversed, it is relatively simple to refund the tax and NI.

#### What do I need to do?

The following advice applies whenever you are considering engaging an individual, except:

- where the engagement will be through the normal recruitment process;
  - where the individual is to be involved in work of a construction nature and has a valid Construction Industry Scheme (CIS) registration – normal purchasing procedures apply.
- In all other cases, these are the steps you should take:

Before you engage someone:

- Consider the Trust's Finance Policy. The central finance team can provide more information in relation to this.
- Make sure you have a defined contract or service level agreement prepared prior to the engagement that will govern the work that will be undertaken and include the requirements for Public Liability Insurance. This will help to make sure there is agreement on what is required, but it will also help to determine whether the work is to be treated as employment or not.

Once you have decided on your intention to engage an individual:

- Make sure you inform the individual you are engaging that you must complete the employment status process. You may wish to use the Employment Status Questionnaire (ESQ) which you will need their help to complete and both of you are required to sign it. This will provide you with most of the information you will need to use the HMRC on-line employment status indicator tool. They must also be told that completion of the questionnaire is no guarantee of self-employment status.

If the employment status has been determined as:

- **self-employment**- you can follow your usual purchasing process. If applicable, future payments to this individual for the same kind of work would also be paid without deductions. If the engagement changes or becomes on-going it is likely that the status will change to that of employee.
- **employee**- you should go through the normal recruitment processes subject to the usual budget and establishment requirements. Payment will be made via payroll with the deduction of tax and NI.

### What if the individual is unhappy with our decision?

- It is important to note that this process has been developed in line with HMRC guidelines, and that a similar process is in place in all Trusts and Local Authorities (indeed all organisations should work on this basis). You must impress on the individual that it is not an optional activity.
- If the individual disagrees with the decision, ask them to write to a nominated person at the Trust giving their reasons for disagreeing, and ask them to include any supporting evidence that did not form part of the original questionnaire.

### Where can I find out more?

HMRC guidance on employment status can be found at [www.hmrc.gov.uk/calcs/esi.html](http://www.hmrc.gov.uk/calcs/esi.html)

## APPENDIX C - Staff Reimbursement Form



**Extend Learning**  
Academies Network

**Name:**

Date: 

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**Month of claim:**

**Location:** \_\_\_\_\_

[illegible]**TOTAL CLAIM £**

\_\_\_\_\_

**Nominal Code:**

**Ledger:**

**Authorised by:**  
**(Head Teacher)**

**Date:**