

The Auriga Academy Trust

FINANCE POLICY

The AURIGA Academy Trust Document Control System	
Name of document	Finance Policy
Status	APPROVED
Date Approved	7/2/22
Approver	MAT Trust Board
Owner	MAT Trust Board
Author	Finance Director
Anticipated Review date	January 23
Location	S:Staff/POLICIES/MAT/Finance/Finance Policy

Please note that all Trust policies are reviewed annually. Should you have any queries regards this policy, note an omission or wish to propose an amendment, please email sconnor@strathmore.richmond.sch.uk.

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1. Introduction

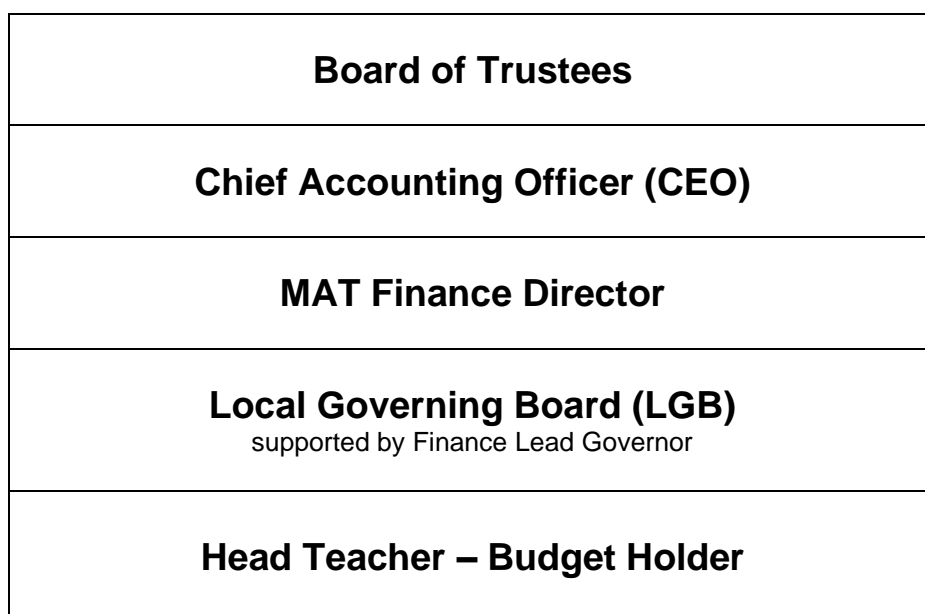
This Finance Policy applies to all Schools within The Auriga Academy Trust. The policy has been approved by the Board of Trustees and will be reviewed annually. The future review will be recorded in the Minutes of the Finance Committee and the Board of Trustees meetings.

This policy is supported by the following documents:

- DfE Academies Trust Handbook
- The Auriga Academy Trust - Scheme of Delegation
- PS Financials User Guides

The Trusts Financial control is primarily driven by the DfE Academies Trust Handbook (Academies Financial Handbook) as well as accounting in line with UK GAAP and charities SORP. Academy trusts **must** comply with this handbook as a condition of their funding agreement. It provides an overarching framework for implementation of effective financial management and other controls, consistent with the Trust’s obligation as publicly funded body.

2. Organisational Control Structure



3. Risk Management

The Trust has a Risk Management Strategy which aims to:

1. Identify and evaluate risks which could prevent the school/Trust from achieving one or more of its strategic aims and objectives and delivery targets or make their achievement substantially more difficult.
2. Assess the likelihood of such risks occurring and the potential impact of such occurrences with particular reference to the areas of finance, reputation and planning/operations.
3. Enable decisions to be taken on how much risk to accept, the actions/controls applied to avoid or mitigate the likelihood of such circumstances arising, to transfer risk or insure against the consequences and assign responsibility for implementation.

This is reported and managed using a Trust wide risk register. There is a two tiered approach to the monitoring of the risk register.

Level 1

Each school's LGB is responsible for the oversight of their school specific risk register which forms part of the Trust risk register. Each risk has a Risk Owner who is responsible for managing and updating the status of the risk. The school specific register as a whole will be overseen by the Head Teacher.

The schools risk register will be reviewed at each LGB meeting to ensure it is up to date and that relevant measures are in place to mitigate risks.

Level 2

A MAT wide risk register will also be maintained, this will not include the school specific risks unless they will have a direct impact on the ongoing operations of the MAT. An example would be risks around school role which may impact the financial viability of the continuing operations of a school; this would appear both on the school and the MAT risk registers.

The Trust wide and school risk register will be reviewed at each Trust board meeting to ensure it is up to date and that relevant measures are in place to mitigate risks.

4. Business Continuity

A MODEL business continuity plan is in place at Trust level. Individual schools are expected to review, adopt and adapt the policy to reflect their specific circumstances.

5. Review and Feedback of Financial Control

The MAT has two mechanisms of reviewing and feeding back findings on financial control to the Trustees.

Firstly, this will be via the External Audit process which takes place during the Autumn Term. This process is to validate that the statutory accounts present a true and fair view of the Trust's financial position for the previous academic year.

Secondly, through an internal control review by the Audit, Risk & Effectiveness Committee. The review will take the form of a number of internal control checks to ensure that the financial activity is happening in line with agreed policies and procedures. It is at the discretion of the Audit, Risk & Effectiveness Committee as to whether this is delegated to an external body.

An annual program will be agreed and implemented over the academic year by the Audit, Risk & Committee; there will also be the opportunity to flex this if key areas of concern are raised, with the possible use of an external party to carry out more detailed activity for the committee.

Reports giving the findings will be reported back to the Trustees via the Audit, Risk & Effectiveness Committee.

Financial control is monitored at a school level through the preparation of monthly management accounts and key balance sheet reconciliation including bank reconciliations, debtor and creditor ageing and cash flow forecasting. Monthly management accounts including the balance sheet and supporting reconciliations are sent to the Trust Board and Chair of Governors of each school. In line with their Terms of Reference each LGB Finance Lead will review year to date management accounts and balance sheets and approve Initial and Revised Budgets and monitor spend against a Working Budget or Forecast.

6. Segregation of Duties

Key to the control of financial expenditure is ensuring that systems and processes are set up in such a way that any single transaction, that ultimately leads to a payment, requires at least two people to enable it to be actioned.

This is primarily controlled through system profiles and the segregation of duties, with a basic principal of an administrator role inputting the transaction and a budget holder role authorising the transaction for payment. The segregation is primarily controlled through system defined roles (see Appendix A), with an administrator and Budget Holder role for each location. The central Trust Finance team have additional access to the school based roles, primarily around master data, payments and bank reconciliations; this introduces an additional layer of control within the process.

Two members of the central Trust Finance team require universal access to the system, to ensure the ability to continue to operate and cover key staff absences; this universal access only applies to PSF and the Dataplan Payroll system and does not extend to the ability to make any payments in isolation.

7. Budgetary Controls (including Benchmarking)

In line with ESFA requirements, three year income & expenditure budgets are compiled for each school on an annual basis (see Appendix B); this includes individual school budgets as well as the MAT central budget (to cover central Trust support costs) and a consolidated MAT budget.

School Budgets are to be prepared in the first instance by the Head Teacher in each school, supported by central Trust Finance team. These will be subject to review and approval by the Schools LGB (with feedback being supplied by the Finance Lead Governor). Integrated Financial Planning must be demonstrated by each school by linking the planning of the curriculum with their budget planning, in order to ensure their resources are maximised in a way which delivers their intended educational outcomes.

Central Support budgets will be prepared by the CEO and the Finance Director in accordance with the strategic vision of the Trust. The Trust Board is responsible for monitoring these costs against budget. Given the nature of special schools income a 'top slice' approach is not considered appropriate and hence estimated central costs will be allocated to each school during the budget process with a true up process being undertaken at the year end. The basis of the allocation of central costs will be agreed with all Headteachers prior to the allocation being made. Any disputes will be directed to the Trust Audit, Risk & Effectiveness Committee who will determine a fair outcome.

All budgets will be reviewed in the first instance by the MAT Finance Director and the Chief Accounting Officer. These budgets will then be consolidated and submitted to the MAT Board of Trustees for approval.

With effect from 1 September 2019 all Trust are required to complete and submit the School Resource Management Self-Assessment Tool. The tool helps assure governing bodies and trust boards that they are meeting the right standards to achieve a good level of financial health and resource management. The tool can be used to identify areas for change to make sure resources are used to support high-quality teaching and the best education outcomes for pupils. The tool consists of a checklist and a dashboard. The checklist asks questions of governing bodies and trust boards in 6 areas of resource management. The dashboard shows how a school's data compares to thresholds on a range of statistics that have been identified by the Department for Education (DfE) as indicators of good resource management and outcomes. The central Trust Finance team will complete and submit the checklist, with the input from Headteachers regards the explanations provided for key variances. The Audit, Risk and Effectiveness Committee will review the completed School Resource Management Self-Assessment Tool prior to forwarding to the Trust Board for approval.

8. Expenditure Outside of Approved Budget

Budget Holders are only approved to authorise expenditure within agreed budgets in line with the Scheme of Delegation and the Academy Expenditure Matrix (see Appendix C). For any expenditure outside of this LGB approval will be sought along with Trust Board approval.

There are instances where the Budget holder can spend outside of the agreed budget and not require LGB or MAT Trustee approval (see Appendix C).

The finance system prevents expenditure over budget by blocking on posting.

Budgetary control is supplemented by

- a) The Trust Finance Administrators reviewing expenditure before submitting purchase orders and non-order invoices for authorisation.
- b) Monthly review of the Management Accounts to identify overspends YTD and what the projection is for year end.

9. Purchase to Payment for the Supply of Goods and Services

9.1 Procurement Policy

The MAT has a procurement policy which defines the process required for the purchase of all goods and services dependant on the value being procured (see Appendix D). This ranges from requiring a full tender process through being able to use new or established suppliers without the need for quotations as long as they are considered reputable.

9.2 Value for Money and Tender and Quotation Procedures

The LGB is accountable for the way in which the school's resources are allocated to meet the objectives set out in the School Development Plan. The school needs to secure the best possible outcome for pupils, in the most efficient and effective way, at an economic reasonable cost. This will lead to continuous improvement in the school's achievements and services. The governors and school will apply the principles of *best value* when making decisions about:

- the allocation of resources, to best promote the aims and values of the school
- the targeting of resources, to best improve standards and the quality of provision
- the use of resources, to best support the various educational needs of all pupils.

The school will also take into consideration all relevant guidance including, but not limited to, the DfE "Buying for Schools - Guidance".

In securing best value for money (VFM) it is essential to have robust and transparent policy and procedures around the procurement process. When considering VFM it is deemed that it is not just about the price but also about the delivery of the right service to the school.

In line with this the MAT Board have deemed the limits within Appendix D, to ensure that appropriate controls are in place by specifying the use of reputable suppliers at a competitive price.

The pursuit of minor improvements or savings is not cost effective if the administration involves substantial time or costs.

To ensure transparency for any tenders/quotations received, all documentation including covering emails etc. will be reviewed and signed off by at least two parties within the school. A summary of the reasoning behind each choice will be detailed and attached to the relevant quotations. This pack will be available for audit review purposes.

9.3 Authorisation of Expenditure

Requisitions will be raised and sent to a Trust Finance Assistant for review and approval before a purchase order is created. All controllable expenditure will go through a purchase order (PO) process; via the web based workflow authorisation for approval by the appropriate budget holder.

Once the goods or service has been received, the local Receptionist Administrator or the Trust Finance Administrator will 'goods receipts' this against the relevant PO.

Any invoices relating to purchase orders that have been goods receipted can be paid without further authorisation, subject to notification that the good received were not to a satisfactory standard.

Any invoices relating to purchase orders that have not been goods receipted cannot be processed until the Goods Receipt has been updated on the Web Portal.

9.4 Non Order Invoices

Any Invoices without a PO cover needs to go through the appropriate authorisation workflow; which requires the appropriate budget holder to authorise that this non order invoice can be paid; this is completed via their secure web portal access.

There are no system approval limits set within the control framework of PS Accounting for non-order invoices. It is at the discretion of the Trust Finance Assistant to choose the appropriate approver based on the limits noted in Appendix C. For audit purposes the accounting system notes the approver selected.

For any expenditure that is not controllable a purchase order is not required, this includes but is not limited to rents, utilities and agency costs.

9.5 Payment Authorisation

All payments made will involve a minimum of two people in the transaction, one to instigate the payment and another to authorise.

For all payments the control is deemed to be at the front end of the process, via the raising and proper authorisation of the purchase order along with the subsequent goods receipting or invoice authorisation to confirm that the goods/services have been delivered to a satisfactory standard.

For all non order invoices these will go through an additional review process to understand the nature of the spend is in line with the expectations in this category. These invoices will have to be authorised via a web based workflow authorisation process, so will not be available to pay unless properly authorised.

All of the above will be pulled in a fortnightly supplier payment run (by school) by a Trust Finance Administrator; and then authorised by either the Finance Director / Trust Finance Manager and the Headteacher.

9.6 Purchasing Card

Each school has two purchasing charge cards AND two debit cards allocated to the Head Teacher and the Finance Director / Trust Finance Manager. The card is for use by the cardholder only and will not be shared with another member of staff. Any additional users must be signed off and minuted by the LGB.

All cards are only to be used for online transactions and under no circumstance will be used for cash withdrawals or directly in store. Should this functionality be required, the sign off of the Head Teacher AND the MAT Finance Director is required in writing.

All cards are for school purchases only and under no circumstances will be used for personal expenditure.

The card and associated PIN will be kept in a secure place by the cardholder and any loss reported immediately to the central support team.

The charge cards have a limit of £2000 each (GTW £500) and will be used for the majority of monthly card transactions. A monthly charge card statement is received and is used to reconcile the monthly clearing payment to Lloyds.

Under the Lloyds Bank purchasing charge card set up there are no transaction limits tied to the use of the card online. However, any unusual purchasing online would usually get flagged to get authentication by the card holder to see if genuine before passing payment, this is done by the Lloyds fraud department. In light of this the following transaction limits will be adhered to and appropriate authorisation obtained PRIOR to use:

Head Teacher	£2000
Finance Director / Trust Finance Manager	£1000

This card can be used to make purchases where the standard Purchase Order process is not appropriate, mainly in relation to procuring goods via the internet that offer better value for money than standard credit account suppliers (in particular Amazon). Evidence of authorisation for the transaction will be obtained prior to use of the card. Details supporting such transactions will be printed off as evidence and forwarded to a Trust Finance Administrator, with the relevant authorisation, to ensure that they are entered on to the accounting system in order to recognise the liability.

All transactions will be reconciled through the monthly bank reconciliation review.

Use of the Procurement cards will be reviewed and monitored centrally.

9.7 Petty Cash

Each school has a petty cash facility of up to a maximum of £500 per site. The Trust Finance Administrator is responsible for the secure distribution and record keeping of both income and expenditure. Any distribution of petty cash will be authorised by the budget holder, and signed as received by the recipient.

Petty Cash will be used for incidental expenses up to the maximum value of £20. Any expenditure above this requires sign off from the Head Teacher.

A monthly return will be completed on the finance system to detail and cost the activity against the petty cash slips. The system balance at the end of the month will reconcile to the cash balance in the combined tins. The Trust Finance Administrator will print a copy of the system balance and detail for the month and sign this to confirm the system/tin balance. This will then be checked and countersigned by another member of the central Trust Finance team.

Petty cash will be subject to periodic review by the central support team, hence all records will be kept up to date and entered onto the finance system on a fortnightly basis / weekly basis depending on volume.

9.8 Expenses

Expenses payable to staff, Governors and Trustees will be paid via a separate ledger; these will be paid in line with the purchase ledger payment cycle (fortnightly).

These expenses will be submitted on the appropriate form with the supporting receipts attached, along with details of the reason for the expenditure; and will be authorised by the appropriate budget holder. Any items with VAT will have the VAT split out separately on the form.

A budget holder cannot authorise their own expenses, hence this need to be countersigned by the Head of School, Finance Director, Head Teacher or LGB / Trust Chair. There is not a PSF system authorisation

process for Expenses, hence this is manual and paper based. The authorised form will be attached to the transaction on the finance system to enable this to be paid.

9.9 Staff Related Expenditure

The Trust values its staff and actively recognises the additional pressures of working in a Special School environment by ensuring a high level of wellbeing. Expenditure can be classified into two categories:

- a) Termly staff incentives to encourage a healthy work environment funded through additional income generated by lettings and student placements.
- b) Gestures of consideration in respect of sickness, bereavement and special events are covered under the Gifts Policy.

9.10 Inter School Expenses

The Trust recognises that resources should be pooled between schools in order to minimise costs. Each school within the Trust is expected to offer resources at zero cost and has the option of first refusal with regards to their own assets. When utilising a resource and a cost is incurred the school will be expected to reimburse these costs. For example, a minibus will be returned with the same amount of fuel it is lent with. In exceptional cases a fixed charge for the use of an asset will be pre-agreed in writing. The charge will be based on the actual cost of using the asset and will not include any profit element, for example, hydro pool usage incurs water testing and maintenance costs. Each school is also expected to respect and adhere to the procedural checks of the host school.

10. Write Off Policy

All write offs need to be in line within the restrictions and recommendations as stated in the Academies Trust Handbook.

Any amounts for write off must be authorised by the budget holder and LGB and submitted to the MAT's Finance Director on a Permission to Write off form (Appendix F). The submission needs to include the amount to be written off and the reason for the write off, supported by the actions taken to attempt to recover the amount.

This recommendation will be reviewed by the MAT Finance Director before being authorised by the CEO and submitted to the Trust Board and EFA for authorisation where applicable; the relevant sign off and referral to the EFA for approval is dependent on the value being recommended for write off (see appendix E)

The School will always pursue recovery of overpayments, irrespective of how they came to be made. In practice there may be practical and/or legal reasons that dictate how a case should be handled.

Write offs will only take place after careful appraisal of the facts, including whether all reasonable action has been taken to effect the recovery from the debtor.

Any overpayments to employees will be clawed back (via a repayment schedule where appropriate to avoid undue hardship to the employee).

11. Cashflow Management

Cashflow monitoring will be maintained and updated on a monthly basis, alongside the monthly bank reconciliation process.

12. Additional Balance Sheet Controls and Reconciliations

The following key accounts will be reconciled on a monthly basis

- a) Bank Reconciliations
- b) Accruals
- c) Prepayments
- d) Deferred Income
- e) Payroll Control Accounts

The full balance sheet will be reconciled on a quarterly basis. This will be reviewed and countersigned by the MAT Finance Director and/or CEO.

13. Asset Management

Assets will be capitalised upon invoice entry, in line with of the fixed asset policy see Section 15.14 for details. All expenditure against a number of key expenditure accounts will be reviewed on a quarterly basis to assess whether all necessary items have been capitalised.

The appropriate asset will be created and depreciation run against this in line with the Statutory Accounting policies.

A sample of these assets will be audited on a periodic basis to validate their existence.

14. Reserves

The Reserves Policy must address the management of financial risk across the Trust, whilst being mindful that existing students are not disadvantaged through the retention of excessive reserves.

To ensure a consistent reserves policy across all schools within the Trust.

- To identify a target level of reserves required across each member Academy within the Trust.
- To explain the reason for holding reserve balances.
- To ensure internal control arrangements within the Trust are operating effectively and assure proper stewardship over public funds.
- To ensure that Trustees receive oversight of the reserves position of the Trust and challenge this position as required.
- To ensure that each member Academy adopts a structure of prudent financial management and maintains sufficient reserves to meet the future needs of the Academy.
- To inform the budget process by considering whether reserves need to be used during the financial year to address an in-year deficit budget.
- To assist in strategic planning by considering how new projects or activities will be funded.

In accordance with the Academies Trust Handbook:

Financial planning 2.8 - The board of trustees must:

- *ensure that financial plans are prepared and monitored, satisfying itself that the trust remains a going concern and financially sustainable*
- *take a longer term view of the trust's financial plans consistent with the requirement to submit three-year budget forecasts to ESFA*
- *as part of its management of the trust's funds, explain its policy for holding reserves in its annual report.*

Pooling of GAG by trusts with multiple academies 5.30 - A trust with multiple academies can amalgamate GAG for its academies to form one central fund. This can be used to meet the running costs at any constituent academy within the trust.

The Trust reports reserves to the ESFA on a consolidated basis. However, the Trustees maintain that the reserves balance of each school will remain with the relevant Academy and will not be pooled by the Trust. As the income received is dictated by pupil needs each school is responsible for setting their own

budget and the management of its reserves. It is anticipated that all schools in the Trust will hold a prudent level of reserves. It is expected that the target level of reserves is circa 5%, representing 1 month of annual expenditure, however it is expected that each school will be reviewed on an individual basis with reference to their funding needs and requirements. A comparative between the current and target reserves balance will be reviewed and projections on estimated future reserves balance will be made as part of the budget setting process and update of the 3 Year Financial Plan.

The target level of reserves should ensure that sufficient funds are held to enable the Trust to manage, in the short term, any financial risk that may result from the following:

- Short term fluctuations in income e.g. reduced student numbers.
- Funding of unforeseen expenditure e.g. urgent maintenance work.
- Funding of material capital projects e.g. building improvement works.
- Delivering a robust programme for renewal and replacement of Academy assets e.g. ICT hardware.
- Funding of staffing costs that cannot reasonably be reduced within the required timeframe, up to the point that procedures can be implemented to reduce costs moving forward.
- Funding of redundancy costs/severance payments to facilitate cost reductions moving forward.
- Funding of staffing costs to support additional resources in Teaching and Learning as considered necessary by the Trust.

An analysis of planned expenditure against reserves will be reviewed by the Trust and included in the reporting pack each month.

It is expected that all schools within the Trust will set a balanced budget for the year. Any forecast in year surplus will be reviewed by the Board of Trustees, Chief Executive Officer and Finance Director for the Trust to ensure that existing students are not disadvantaged through the retention of excessive reserves.

Any request for expenditure against the reserves balance must be notified by the school using the Reserves Permission to Spend form (Appendix G), with the approval of the LGB, to the Chief Executive Officer and Finance Director. This will enable the Trust to identify when, and for what reason, it is required to draw upon reserves and can consider what corrective action, if any, needs to be taken.

15. Accounting policies for Statutory Accounts Purposes

15.1 Basis of preparation

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS102)), the Academies Accounts Direction issued by EFA, the Charities Act 2011 and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

15.2 Going Concern

The Board of Trustees has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future, this is reviewed on an annual basis and signed off by the external auditors in the financial statements. For this reason it continues to adopt the going concern basis in preparing the financial statements.

15.3 Incoming Resources

All incoming resources are recognised when the academy trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

15.4 Grants Receivable

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet.

Where income is received in advance of entitlement of receipt its recognition is deferred and included in creditors as deferred income.

Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are recognised when receivable or entitlement is known with reasonable certainty; these are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

15.5 Sponsorship Income

Sponsorship income provided to the Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt and it is measurable.

15.6 Donations

Donations are recognised on a receivable basis where there is certainty of receipt and the amount can be reliably measured.

15.7 Other Income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the goods have been provided or on completion of the service.

15.8 Donated Services and Gifts in Kind

The value of donated services and gifts in kind provided to the Trust are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Trust can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Trust's policies.

15.9 Transfer of Property upon Conversion

The basis for measurement of property transferred as part of any academy conversions will be what is considered to be a fair value, being a reasonable estimate of the property that the Trustees would expect to pay on an open market for an equivalent item.

One of the following methods can be used:

- a) Property valuation supplied by the DfE
- b) Independent 'desk-top' property valuations engaged by the Trust
- c) A suitable percentage of the insurance valuation will be used, ranging from 65 to 100% depending on the age and condition of the property being transferred

15.10 Resources Expended

All expenditure is recognised in the period in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources.

Central trust costs are allocated annually based on actual costs incurred and will be split equally between schools unless this is deemed to be unfair based on the nature of the cost. For example, central HR costs may be split based on head count if this is deemed to be a more appropriate basis of allocation and

is a true reflection of the spend across the Schools. Whilst academies must not assume that the split of central costs will be equal, any changes in allocation will be agreed with Headteachers and will be signed off by the Trustee Board.

Resources will be recorded net of VAT, with the exception of business costs where VAT is irrecoverable. They will be classified under headings that aggregate all costs relating to that activity.

15.11 Costs of Generating Funds

These are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

15.12 Charitable Activities

These are costs incurred on the Trust's educational operations.

15.13 Governance Costs

These include the costs attributable to the academy trust's compliance with constitutional and statutory requirements, including audit, strategic management and trustees' meetings and reimbursed expenses.

Trustees and Governors are eligible to claim expenses to ensure equal opportunities for all those interested in volunteering their time for the governance of the Trust and its constituent schools. Please refer to the AAT Trustee and Governance Expenses Policy.

15.14 Tangible Fixed Assets

Fixtures, fittings and equipment and motor vehicles, costing £2000 or more and ICT equipment costing £1000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. This threshold applies to a group of assets as well as assets bought individually. The thresholds will not apply where assets below this amount have been funded by a specific grant, these items will be capitalised as it will aid with the monitoring of the capital grant spend.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy trust's depreciation policy.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

Fixtures, fittings and equipment	7 years
ICT equipment	3 years
Motor Vehicles	5 years
Buildings	50 years

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

15.15 Leased Assets

Rentals under operating leases are charged on a straight line basis over the lease term.

15.16 Investments

The Trust does not hold any investments at the current time. The accounting policy will be determined when the need arises.

The Board of Trustees are firmly committed to ensuring that all funds under their control are administered under a risk adverse investment strategy. As such the Board do not consider the investment of surplus funds as a primary activity, but rather a requirement for the effective management of the various funds entrusted to the Board.

Due to the nature of the funding cycle, the Academy may at times hold large cash balances which may not be required for immediate use. In the event of such a situation arising a Cash Pooling Arrangement may be considered, having received the necessary authorisation from the Board of Trustees.

15.17 Stock

The sale of uniform is administered independently at Strathmore. At Clarendon and Capella House the sale of uniform is administered by the school but all stock is held by the company who provides it.

15.18 Taxation

The Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by chapter 3 part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

15.19 Pensions Benefits

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes and the assets are held separately from those of the academy trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. The TPS is a multi-employer scheme and the academy trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

15.20 Fund Accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the academy trust at the discretion of the trustees.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Department for Education where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received and include grants from the Department for Education

15.21 Reserves

The Board of Trustees reviews the reserve levels of each School annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves.

The policy of the Trust is that each School plans to spend the majority of its revenue income each year on the students in its care; but also to maintain a level of free reserves that will be adequate to provide a stable base for the continuing operation of each School whilst ensuring that excessive funds are not accumulated. The level of reserves required will be reviewed each year by the Board of Trustees. The recommended level of reserves for each school is between 7-12% with any reserves outside of this level having a justification reviewed and approved by the MAT Finance Director via the Finance & Resources Committee.

These free reserves are held for the investment in buildings, smooth any change in pupil led funding and to provide for any unforeseen liabilities. These reserves will provide a cushion to deal with unexpected emergencies such as urgent maintenance, as well as sums that are set aside from this each year for planned replacement of capital items such as ICT infrastructure etc.

16. Fraud

The Trusts is aware of the risk of fraud, theft and/or irregularity occurring and, as far as possible, has addressed this risk in the internal control and assurance arrangements put in place. The Trust will take appropriate action where fraud, theft and/or irregularity is suspected or identified. The Trust will also notify the EFA, as soon as is operationally practical based on its particular circumstances, of any instances of fraud, theft and/or irregularity exceeding £5,000 individually, or £5,000 cumulatively in any academy financial year. Any unusual or systematic fraud, regardless of value, will also be reported. The following information will be reported:

- full details of the event(s) with dates
- the financial value of the loss
- measures taken by the trust to prevent recurrence
- whether the matter was referred to the police (and why if not)
- whether insurance cover or the risk protection arrangement have offset any loss.

17. Related Party Transactions

In accordance with The Academies Trust Handbook the Trust will report all transactions with related parties to the ESFA in advance of the transaction taking place, using the ESFA's on-line form **(3.10.4)**. This requirement applies to transactions made on or after 1 April 2019.

The Trust will obtain the ESFA's approval for transactions with related parties that are novel, contentious and/or repercussive (3.10.5) (3.10.6). The Trust will carefully consider the impact of this requirement and its relevance to transactions involving the chair of the board and the accounting officer.

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

- a contract exceeding £20,000

- a contract of any value that would take the total value of contracts with the related party beyond £20,000 in the same financial year ending 31 August
- a contract of any value if there have been contracts exceeding £20,000 individually or cumulatively with the related party in the same financial year ending 31 August.

Appendix A - System defined roles

Role 1 - Schools Administration Support Access

Assigned to	Budget Holders – School Reception Administrators
Software Accessed	Web portal
Role Profile	This access is limited to their specified school activity, it allows the following: <ul style="list-style-type: none"> a) Raising Requisitions b) Goods Receipts

Role 2 - Schools Budget Holder Access

Assigned to	Budget Holders - Teachers and SLT
Software Accessed	Web portal
Role Profile	This access is limited to their specified school activity, it allows the following: <ul style="list-style-type: none"> c) Raising Requisitions d) Approval of Purchase Orders e) Authorisation of Order and Non Order Invoices f) Running a limited number of reports and queries

Role 3 – Trust Finance Administrator

Assigned to	Trust Finance Personnel
Software Accessed	'Accounting' system and the 'Web Portal' - school specific
Role Profile	They are able to do all of the main day to day operational activities including the following: <ul style="list-style-type: none"> a) Create Customer and Supplier Master records b) Raise Purchase Orders c) Goods receipt d) Input invoices e) Enter Petty Cash Income and Expenditure f) Enter employee expenses g) Raise Sales Ledger invoices h) Enter Income i) Generate and post payment runs j) Complete Bank reconciliations k) Run Reports and queries

Role 4 - Central Support Team Administrator Access

Assigned to	Central Trust Finance Team Administrator(s) Currently Finance Director / Trust Finance Manager
Software Accessed	'Accounting' system and the 'Web Portal' for all schools and central locations

Role Profile

They are able to do all of the main day to day operational activities for all schools, including the following:

- a) Create Customer and Supplier Master records
- b) Raise Purchase Orders
- c) Input invoices
- d) Enter Petty Cash Income and Expenditure
- e) Enter employee expenses
- f) Raise Sales Ledger invoices
- g) Enter Income
- h) Generate and post payment runs
- i) Upload payment runs to the Lloyds BACs software ready for authorisation*
- j) Run Reports and queries
- k) Generate and post journals*
- l) Change Purchase Orders
- m) Complete Bank reconciliations*
- n) Upload and post salary journals
- o) Chart of accounts and all associated master records*

*These items are additional to the School Administrator access.

Role 5 - Central Support Team Budget Holder

Assigned to

Software Accessed

Chief Accounting Officer and MAT Finance Director
'Accounting' system for all schools and the 'Web Portal' for authorisation of the central location transactions.

Role Profile

These individuals have access to perform both the Central Support Team Administrator role and the Central Support Team Budget Holder access, as well as having the ability to set up and amend the following

- a) All Purchase orders
- b) All Documents
- c) Authorise payments on the BACs software

Appendix B - Budgetary / Financial Review Cycle

Budget Cycle:	Owner	Timeframes
Initial annual Budget prepared by Schools	Headteacher	May
First Review by MAT Finance Director	Finance Director	June
Review and Approval by School LGB	Headteacher	June
Review by MAT Finance Director and CEO	Finance Director	June
Recommended budgets put forward to Trust Board	Finance Director	July
Budget Review and Approval by Trust Board	Trust Board	July
Submission of Budgets to EFA	Finance Director	31st July
Budget Upload to the Finance System	Trust Finance Manager / Finance Director	September

Statutory Financial Review Cycle:

Final Year End Accounts Review by School LGB and Finance Director	Headteacher	Mid October
Revised Budget prepared using actual pupil and staffing numbers	Trust Finance Manager / Headteacher	Mid October
Consolidated preparation of Year End Results	Finance Director	October
Final Year End Accounts and Revised Budgets Review by Trust Board	Trust Board	November
Year End Audit and Annual Return	Finance Director	December
Report to the Audit, Risk & Effectiveness Committee of Audit Findings	Audit, Risk & Effectiveness Committee	January

Management Financial Review Cycle:

Monthly Management Accounts review	Trust Finance Manager / Finance Director / Headteacher	Monthly
Consolidated pack Monthly Management Accounts review by Trust Board	Finance Director / Trust Board	Monthly
Quarterly Reviews – incorporating full Balance Sheet reconciliations: P3 Nov – review Dec P6 Feb – Review Mar P9 May – Review Jun P12 Aug – Review Sep	Trust Finance Manager / Finance Director / LGBs	Quarterly
P7 Review – used for ESFA BFRO submission. <i>BFRO due 17 May</i>	Trust Finance Manager / Finance Director	April/May
P11 Review of YE forecast – used for ESFA BFR3Y submission. <i>BFRY3 due 26 July</i>	Trust Finance Manager / Finance Director	June/July

Appendix C – Academy Expenditure

Academy Expenditure – within Approved Budget Expenditure Type

Staffing: Payroll

The Trust uses an independent payroll company to process staff salaries. The payroll company produces a monthly file for approval. All contract amendments and any additional payments are processed by the Trust HR team for approval and submission to the payroll company by the Finance Director / Trust Finance Manager. The monthly payroll file reflects any changes to the monthly payroll in a variance report. The variance report is reviewed in the first instance by the Finance Director / Trust Finance Manager for accuracy. The variance report is formally signed off by a Deputy Head Teacher or above as evidence that the payroll is complete and accurate. The Finance Director / Trust Finance Manager then authorises the payroll file for processing. Evidence of authorisation by the Deputy Head Teacher or above and the Finance Director / Trust Finance Manager is retained for audit purposes.

Staffing: Agency Staff

Agencies either invoice for staff individually or batch invoice, including all staff bookings on one invoice. Accordingly, agency invoices will be approved by the individual booking the agency as evidence that the work was undertaken and was completed to a satisfactory level. As agency costs form a significant part of a school's budget, these will be monitored at a school and Trust level by the Head of Centre, Head Teacher and Finance Director.

Operational Costs:

At the beginning of each financial and academic year operational budgets are set by Cost Centre within each school. Individuals budget holders are identified and are responsible for approving and monitoring the budget spend. Finance Assistants will allocate the approval of non-order invoices to the budget holder within the transaction limits noted below, with the exception of agency invoices and utility costs.

Operational Costs: Utilities

It is the responsibility of the site premises manager to check the validity of an invoice by ensuring that meter readings are accurately reflected. Utilities contracts are negotiated centrally to ensure value for money.

Expenditure Type	Restriction	Authority to Approve	Review and Agreed by
Staffing: Payroll	n/a	Deputy Head Teacher / Head Teacher	Finance Director / Trust Finance Manager
Staffing: Agency	Up to £20,000	Budget Holder / Finance Director	
Operational Costs - General	Up to £999	Budget Holder / Finance Director	Head Teacher
Operational Costs - Utilities	Up to £4999	Premises Manager / Finance Director	Head Teacher
Supplies & Services	Up to £4999	Head Teacher	Chair of Governors
Supplies & Services	£5000 to £25,000	Head Teacher	LGB / Finance Director
Supplies & Services	Over £25,000	Head Teacher	LGB / CEO

Academy Expenditure – outside Approved Budget Expenditure Type

There are instances whereby a budget holder can spend outside of the approved budget, this will be in the following circumstances and only where the overall surplus/deficit remains unchanged or is favourable to the originally approved budget.

The following table details the instances where a budget holder can approve expenditure outside of the approved budget without obtaining any further approval.

For all of the following this will be clearly shown in the management accounts and detailed in the narrative provided to the LGB / Trust Board, to clearly show where the overspend and underspends compensate for each other and are in line with the following table.

Expenditure Type	Allowed overspend against budget	Authority	Reviewed by
Staffing overspend (including agency staff)	To address a specific pupil needs. Increase in pupil numbers over and above budget.	Head Teacher	LGB / Trust Board
Premises Costs	Budgets are set for reactive and planned maintenance are interchangeable, as long as overspend on one is compensated by underspend on the other.	Head Teacher	LGB / Trust Board
Other – Non Staff Expenditure	As long as any overspend in one area is compensated for by another underspend in the other non-staffing expenditure codes up to a maximum of £5000 in total for the academic year, anything above this needs to be approved by LGB and Trust Board.	Head Teacher	LGB / Trust Board approval required > £5k.

Academy Expenditure – Special Payments

Special payments are transactions that fall outside academy trusts' planned range of activities. They are non-statutory or non-contractual and so are subject to greater control of other payments. They include:

Expenditure Type	Summary Detail and Approval
Staff Severance Payments	Non statutory element greater than £50,000, EFA approval required.
Compensation Payments	Non statutory element greater than £50,000, EFA approval required.
Ex gratia Payments	All ex gratia transactions must be referred to the EFA for prior authorisation.

For further detail on special payments please refer to the Academies Trust Handbook (3.7).

Appendix D - Procurement Matrix

Procurement Value	Process
Below £2,500	No written quotation required but use of a Reputable Supplier* is required.
Between £2,500 - £25,000	A minimum of 3 quotations will be obtained. An assessment matrix will be completed to detail the decision making process for selection to demonstrate value for money. If it is not feasible to obtain 3 quotations due to non response, specialism of the item being procured or the limitations on the timeframes for procurement a procurement waiver will be requested and documented and authorised by the Chair of the LGB and countersigned by the MAT Finance Director. In exceptional circumstances the necessity for 3 quotes can be waived with the agreement of the Head Teacher, Chair of the LGB and the Finance Director. An example would be using the original supplier to buy additional furniture / equipment in order to match the existing furniture / equipment in use.
Over £25,000 – up to EU Threshold	A minimum of 3 quotations/tenders will be obtained agreed with the CEO; to be ratified by the Finance & Resources Committee.
Supplies or Services – above EU threshold (Note 1)	EU Procurement Directives (Supplies and Services) apply and open, restricted or negotiated processes are followed
Works – above EU threshold (Note 2)	EU Procurement Directives (Works) apply and open, restricted or negotiated processes are followed

1 – Supplies and Services threshold 1 January 2022 inc VAT £426,955

2 – Works (major capital projects) 1 January 2022 inc VAT - £5,336,937

The value is based on the Whole Life Cost of any contract.

*Definition of a Reputable Supplier:

This areas is left deliberately open to enable the school to achieve the best value for money that it can whilst operating in an appropriate manner when selecting a supplier for goods & services.

Most importantly, any related or connected parties/relationships must be fully disclosed and only selected if in accordance with the Academies Trust Handbook. Any associated member of staff/LGB will not be part of the decision of selecting the supplier or provide them with information that may give the supplier an unfair advantage.

A reputable supplier can range from a Sole Trader to a Registered Company; an understanding of the supplier's status and legitimacy will be checked with companies house where possible, and references obtained where possible.

The school will ensure it has sight of the relevant paperwork to confirm that the supplier has the proper qualifications and insurances to perform the task required and trade membership where applicable (i.e. Gas, electrical, windows).

Appendix E - Write off Policy Thresholds

Write off Value	Authorisation Required
<p>A single transaction up to £1000</p> <p>Cumulative transactions up to £5,000 in any one financial year per category of transaction</p>	CEO
<p>A single transaction over £1,000</p> <p>Cumulative transactions above £5,000 in any one financial year per category of transaction</p>	Trust Board
<p>A single transaction over 1% of total annual income or £45,000 (whichever is smaller)</p> <p>Cumulatively 5% of total annual income in any one financial year per category of transaction</p>	EFA Approval

Appendix F – Permission to Write Off Form

All write offs need to be in line within the restrictions and recommendations as stated in the Academies Trust Handbook (3.6). Any amounts for write off must be authorised by the budget holder and LGB and submitted to the MAT's Finance Director on a Permission to Write off form. The submission needs to include the amount to be written off and the reason for the write off, supported by the actions taken to attempt to recover the amount.

This recommendation will be reviewed by the MAT Finance Director before being authorised by the CEO and submitted to the MAT Trust Board and EFA for authorisation where applicable; the relevant sign off and referral to the EFA for approval is dependent on the value being recommended for write off (see appendix E)

School:	
Amount to the Written Off:	
Requested by:	
Background to Write-Off:	
Details of action taken to recover the amount:	
Budget Holder Authorisation:	
LGB Authorisation:	
CEO Authorisation:	
Finance & Resource Authorisation (if applicable)	
Requested submitted to EFA (if applicable)	

Appendix G – Permission to Spend Reserves Form

Each school is responsible for setting their budget and the management of its reserves. In the event that reserves are required to be spent over and above budgeted use, the school in conjunction with their LGB, need to complete a reserves permission to Spend form for authorisation by the Head Teacher, LGB and the Trust Board.

School:	
Amount of Reserves to be Utilised::	
Requested by:	
Background:	
Details of action taken to identify alternative sources of financing:	
Head Teacher Authorisation:	
LGB Authorisation:	
CEO Authorisation:	
Trust Board Authorisation	