

# The Auriga Academy Trust

## Finance Policy

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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. Any future review will be recorded in the Minutes of the Finance and Resource Committee and the Board of Trustees meetings.

This policy is supported by the following documents:

- Department for Education Academies Trust Handbook
- The Auriga Academy Trust - Scheme of Delegation

The Trusts financial control is primarily driven by the DfE Academies Trust 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 the implementation of effective financial management and other controls, consistent with the Trust's obligation as publicly funded body.

## 2. Organisational Control Structure

<b>Board of Trustees</b>
<b>Chief Accounting Officer (CEO)</b>
<b>MAT Finance and Resource Director</b>
<b>Local Governing Board (LGB)</b> supported by Finance Lead Governor
<b>Head Teacher</b>
<b>Budget Holders</b>

## 3. Risk Management

The Trust has a Risk Management Strategy which aims to:

- 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.
- 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.
- 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 is overseen by the Head Teacher.

The school's risk register **must** 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 Trust wide risk register is also maintained. The Trust risk register does not include school specific risks unless they have a direct impact on the ongoing operations of the Trust. 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 Trust risk registers.

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

#### **4. Business Continuity and Cyber Security Threat Planning**

MODEL Business Continuity and Cyber Security Response plans are in place at Trust level. Individual schools **must** review, adopt and adapt the policy to reflect their specific circumstances.

#### **5. Review and Feedback on Financial Control**

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

1. 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.
2. The internal control review undertaken by the Audit & Risk Committee. The review will take the form of a number of internal control checks to ensure that the financial activity of the Trust is happening in line with agreed policies and procedures. It is at the discretion of the Audit & Risk Committee as to whether this scrutiny is delegated to an external body.

An annual program of work 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 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 the Headteacher and Chair of Governors of each school. In line with the Scheme of Delegation and the Terms of Reference, each LGB Finance Lead will review the year to date management accounts and balance sheet and feedback to the LGB any areas of concern.

#### **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 on Xero. 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 Lloyds, Xero and the Dataplan Payroll system but does not extend to the ability to make any payments in isolation.

## 7. Management Accounts Reporting

### 7.1 Management Accounts – Basic Pack

Management accounts are produced on a monthly basis and distributed to Headteachers, LGBS and Trustees by the Finance Director following review. The standard management accounts pack includes:

- Consolidated management accounts for the Trust
- Management accounts for each school and the trust, with supporting commentary for key variances against the Revised Budget / Forecast by period.
- Balance sheet and reconciliations:
  - Bank Reconciliations
  - Accruals
  - Prepayments
  - Deferred Income
  - Payroll Control Accounts
- Cashflow forecast. Cashflow monitoring is undertaken monthly, alongside the monthly bank reconciliation process.

### 7.2 Management Accounts – Finance & Resource Committee Pack

The Finance & Resource Committee meets 6 times per year. A full Resource Pack, including management accounts, will be distributed in line with the meeting schedule below, 4 times a year. The full resource pack will consist of the standard Management Accounts pack and a fully reconciled balance sheet. The pack will also include updates and key statistics on

- Pupil numbers
- Staffing (HR)
- Estates
- GDPR

The meeting schedule per the academic year for the Finance & Resources committee will follow the following structure:

#### 1. October – Full Resource Pack (4/4) to P12

Review of Year End Management accounts + Revised Budget  
Formal approval of Finance Policy.

#### 2. December – Full Resource Pack (1/4) to P2

Review of draft Statutory Accounts and Management Letter  
Review of P2 Management Accounts against Revised Budget.  
Resource Review – HR focus

#### 3. February - Full Resource Pack (2/4) to P5

School Resource Management Self-Assessment review and Resource Review  
Review of P5 Management Accounts against Forecast – key issues

#### 4. April – Standard Management Accounts Pack to P7

Review of P7 Management Accounts, informing budget planning

#### 5. May - Full Resource Pack (3/4) to P8

Resource Review  
Review of P8 Management Accounts against Forecast – key issues

#### 6. June - Standard Management Accounts Pack to P9 + Budget

3 Year Budget Review  
Review of P9 Management Accounts against Forecast – key issues

### **7.3 Forecasting**

The forecast attempts to predict the year end position. From P5 onwards the standard management accounts pack will include a forecast position. A forecast will be produced earlier if there are anticipated significant variances against the Revised Budget.

Staffing: A reconciliation of actual staffing to the Revised Budget is undertaken monthly to understand key variances. Any significant variances will be reflected in the forecast in the monthly management accounts.

Other Expenditure: Other expenditure categories are reviewed monthly and key variances are monitored and noted within the management accounts. The forecast for other expenditure will be updated in February and May for the full resource pack presented to the Finance & Resource committee.

Curriculum and CPD spend is ringfenced and the forecast will not be adjusted unless agreed with the Headteacher. Any adjustments will be made in P9 and reflected in the P9 standard management accounts.

## **8. Budgetary Controls**

### **8.1 3 Year Budget**

In line with ESFA requirements, 3 year income & expenditure budgets are compiled for each school on an annual basis; this includes individual school budgets as well as the Trust central budget (to cover central Trust support costs) and a consolidated Trust budget.

School Budgets are prepared in the first instance by the Head Teacher in each school, supported by central Trust Finance team. Integrated Financial Planning **must** be demonstrated by each school by linking the planning of the curriculum with their budget planning, to ensure their resources are maximised in a way which delivers their intended educational outcomes.

Central Support budgets are prepared by the CEO and the Finance and Resource 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 Committee who will determine a fair outcome.

All 3 year budgets will be reviewed in the first instance by the Trust Finance and Resource Director and the Chief Accounting Officer. These budgets are then consolidated and submitted to the Trust Finance Committee before receiving final approval from the Board of Trustees.

### **8.2 Revised Budget**

In September, on confirmation of pupil numbers, a Revised budget will be prepared reflecting any changes in staffing based on pupil need. The revised budget is submitted to the Trust Finance Committee for approval at their first meeting in the new academic year. Following approval, management accounts are prepared using the revised budget as the comparison for actuals.

### **8.3 Expenditure Limits and Spend 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 as detailed in Appendix B. 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 B).

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.

### **8.3 Benchmarking and School Resource Management Self-Assessment**

Benchmarking is a systematic management process that helps to monitor best practices and/or processes. The benchmarking process helps identify potential areas for improved operational efficiency. Department for Education benchmarking tools allows Trusts to check how their finances compare with other similar schools or multi-academy trusts. For school budgets, there are 4 main cost areas:

- staff
- premises (for example, building maintenance)
- occupation (the cost of occupying the school building, for example, energy and water)
- supplies and services (for example, stationery, books and examination fees)

The Trust uses the annual DfE school benchmarking report card and the DfE [view my financial insights \(VMFI\) tool](#) to provide tailored, school specific insights on the above areas. VMFI provides a prioritised list of areas to investigate based on the comparisons with the 30 most similar schools nationally. VMFI then matches the data with relevant advice, guidance and commercial frameworks offered by DfE to help schools spend their resources efficiently.

Benchmarking is undertaken and presented to Trustees prior to the preparation of the annual budget and before submission of the School Resource Management Self-Assessment. This assessment 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 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 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 on key variances. The Audit & Risk Committee will review the completed School Resource Management Self-Assessment Tool prior to being forwarded to the Trust Board for approval.

## **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 C**). This ranges from requiring a full 3 quote 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 C**, 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 / Trust. 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 – Controllable Expenditure and Purchase Orders (POs)**

All controllable expenditure will go through a purchase order (PO) process via the Xero web-based workflow authorisation for approval by the appropriate budget holder.

Once goods have been received, the local Reception Administrator will scan and send the Goods Received Note to Trust Finance. Trust Finance will update the PO on Xero to note which goods have been received. In the even an invoice is received for goods and no goods received note has been received, Trust Finance will contact the purchase order originator to confirm satisfactory receipt. Any invoices relating to purchase orders that have been goods receipted can be paid without further authorisation as the PO has been through the authorisation workflow, subject to notification that the good received were not to a satisfactory standard. Due to the system limitations of Xero, the GRN / confirmation of receipt email, will not be attached to the PO but will be filed electronically for audit purposes.

### **9.4 Authorisation of Expenditure – Non controllable expenditure and Non Order Invoices**

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.

Any invoices without a purchase order must 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 Xero web portal access. Further authorisation is required depending on the value of the invoice as dictated by the appropriate Xero workflow.

### **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.

Approved invoices will be pulled in a fortnightly supplier payment run by Trust Finance. The payment file will be reviewed and authorised by either the Finance Director or Trust Finance Manager as a first review. The final approval will be the CEO or a Headteacher.

### **9.5 Credit Cards**

Each school has a MAIN credit card and an AMAZON credit card. A third card can be allocated if a specific need is identified.

The Main credit card is used for online purchasing. Schools use the main card for supermarket purchasing and staff incentives and gifts. 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 as follows:

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

The Amazon credit card is solely for Amazon purchases to facilitate ease of reconciliation. Evidence of authorisation for the transaction must be obtained prior to use of the card.



Each campus has a petty cash credit card for school use. Cards are used by staff to purchase staff room supplies (e.g. milk) and for pupil learning. Cards are held at reception and signed in and out, with all receipts being handed to and recorded on a spreadsheet by the Reception Administrator.

Café Vanilla (Strathmore) and BeSpokebeHeard (Clarendon) also have cards, again to facilitate pupil learning and the operation of these enterprises.

All transactions will be reconciled through the monthly bank reconciliation review. For each card the monthly statement is sent to the holder of the card by Trust Finance and the holder reconciles this to the credit card spreadsheet. Once reconciled, the spreadsheet and the scanned receipts are sent to Trust Finance for input into Xero.

Cards are only to be used as outlined above and under no circumstance will be used for cash withdrawals. All cards are for school purchases only and under no circumstances will be used for personal expenditure.

Under the Lloyds Bank purchasing charge card set up there are no transaction limits tied to the use of cards 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:

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

Card limits are as follows:

Main School Card	£5,000
School Amazon Card / 3rd Card	£2,000
Gateway (Clarendon)	£1,000
Café Vanilla (Strathmore)	£400
BeSpokebeHeard (Clarendon)	£400
Petty Cash cards (up to)	£300

The Trust has an overall agreed Lloyds limit on all cards of £60,000. In exceptional circumstances a card limit can be increased. This must be approved by the Trust Finance Manager / Finance Director.

All cards are stored in the school's safe. PIN numbers are stored securely by Trust Finance and will only be given for business purposes. The loss of a card must be reported immediately to Trust Finance.

### 9.6 Petty Cash

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.

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

A petty cash count must be undertaken every 2 weeks by Reception Administrators and recorded. Petty cash must be reconciled monthly and once reconciled, the spreadsheet and the scanned receipts sent to Trust Finance for input into Xero. The Xero balance at the end of the month must reconcile to the cash balance in the campus tin.

Petty cash will be subject to periodic review by the central support team.

## 9.7 Expense Claims

Expenses payable to staff, Governors and Trustees will be paid in line with the purchase ledger payment cycle (fortnightly). Expense claims must be submitted electronically on the appropriate form with the supporting receipts attached. Details of the reason for the expenditure and the authorisation from the appropriate budget holder must be documented. Any items with VAT must have the VAT split out separately on the form.

A budget holder cannot authorise their own expenses, these must be countersigned by the Head of School, Finance Director, Head Teacher or LGB / Trust Chair depending on value. There is not a Xero authorisation process for Expenses, hence this is a manual process. The authorised form will be attached to the transaction on the finance system to enable this to be paid.

## 9.8 Inter School Expenses

The Trust recognises that resources should be pooled between schools 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 Finance Director on a Permission to Write off form (**Appendix E**). 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. The recommendation will be reviewed by the Finance Director before being forwarded to the CEO for authorisation 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 D**. 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.

School must 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.

Any overpayments to employees will be clawed back (via a repayment schedule where appropriate to

## 11. Accounting policies and Guidance for Statutory Accounts Purposes

### 11.1 General Approach

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.

### 11.2 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.

### **11.3 Income**

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.

#### **11.3.1 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.

#### **11.3.2 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.

#### **11.3.3 Donations**

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

#### **11.3.4 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.

#### **11.3.5 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.

#### **11.3.6 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 will 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.

### **11.4 Expenditure**

All expenditure is recognised in the period in which a liability is incurred and is classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to a particular heading they are 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 between schools based on the nature of the cost unless this is deemed to be unfair. For example, central HR costs may be

split based on school head count. Any changes in allocation will be agreed with Headteachers and will be signed off by the CEO and 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.

#### **11.4.1 Costs of Generating Funds**

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

#### **11.4.2 Charitable Activities**

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

#### **11.4.3 Governance Costs**

These include the costs attributable to the 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**.

### **11.5 Assets**

Assets will be capitalised upon invoice entry. 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.

#### **11.5.1 Asset Capitalisation**

Capital expenditure is prioritised through the budget planning process. The annual capital budget is supported by the Capital Expenditure plan and the IT Strategy. These are presented to the Trust Board for approval at the same time as the 3 Year Budget.

In order to monitor spend against the Capital Expenditure Plan and the IT Strategy the following capitalisation limits apply:

Fixtures, fittings and equipment	£2,000 or more
Motor Vehicles	£2,000 or more
ICT equipment	£1,000 or more
ICT – laptops / ipads / chromebooks	Cost

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. The above thresholds apply to a group of assets as well as assets bought individually.

Regardless of threshold 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.

#### **11.5.2 Depreciation**

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.

### **11.5.3 Leased Assets**

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

### **11.5.4 Cash and Investments**

Although each school has a separate cash balance on its Balance Sheet, a cash pooling arrangement is in place to reduce the cash risk for schools and to ensure funds are utilised effectively to maximise income for the Trust.

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 Trust may at times hold large cash balances which may not be required for immediate use. In the event of such a situation money will be placed on deposit with Lloyds for a fixed period of time as dictated by the cashflow forecast.

### **11.5.5 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.

### **11.5.6 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.

### **11.5.7 Pension 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.

### **11.5.8 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

avoid undue hardship to the employee).

## **11.6 Reserves**

### **11.6.1 Reserves Overview**

The Trust reserves policy aims to address the operational needs of schools whilst supporting the wider aspirations of the Trust. It addresses the management of financial risk across the Trust, whilst being mindful that existing students are not disadvantaged through the retention of excessive reserves.

As per the Academies Trust Handbook, *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 has adopted this principle and pools reserves to form a common Central Reserve Fund. This mitigates any financial revenue and capital risk and ensures the stability of the Trust as a whole and of its constituent schools. Reserves may be allocated, when necessary, to support learning to ensure standards are improved and maintained. The reserves policy also provides the framework for future strategic planning and decision-making. The Finance and Resource Committee is responsible for ensuring that the central reserve fund is maintained sufficiently as described in this policy.

The pooling of reserves relates to only the end of year surpluses and deficits arising; pooling of in year income is not undertaken as each school's income is dictated by pupil needs and each school is responsible for setting its own costed staffing model.

### **11.6.2 Management of Reserves**

The CEO and Finance Director, in conjunction with the Trustees, will be accountable for the Central Reserves Fund and will be responsible for the management of expenditure against the fund.

It is expected that all schools within the Trust will set a balanced budget for each financial year. The annual budget setting process will continue to be managed as a 'bottom up' approach for each school and the central trust in the summer term. All schools should aim to deliver a balanced budget, and all budgets must be approved by the Board of Trustees following completion of the budget planning process.

Reserve spending requests, made through the budgetary process, will be considered by the Finance and Resources Committee in line with the following stated priorities, and any subsequent recommendation must be minuted and made to the Board of Trustees who holds the final decision to proceed.

- a) to address poor educational outcomes.
- b) to fund any unavoidable in year operating deficit.
- c) for specific long-term maintenance needs to the existing buildings and facilities.

d) for any new facilities or infrastructure to meet student requirements.

e) to support a period where the Trust is growing.

Further requests to access central reserves outside of budget plans, can be submitted throughout the year and will be reviewed at the next planned Trustees meeting. All requests will be reviewed in the first instance by the CEO and Finance Director, considering both school need, affordability, and equity of expenditure across the Trust. If approved by the CEO and Finance Director, the request will be submitted to the Finance & Resources Committee for final approval. Such requests may include:

- Additional funding to support short term fluctuations in income e.g. reduced student numbers.
- 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 school improvement as considered necessary by the Trust.

General maintenance work including redecoration and the upkeep of the building should be included in each school's budget. Requests for capital and maintenance works against the Central Reserves Fund will be assessed in line with the prioritisation levels that are applied to the Trust 5-year capital estates plan. The prioritisation levels for these works are set out by the Trust, in conjunction with the Estates Manager, and are as follows:

1. Emergency Works Investment in immediate remedial works to major elements of premises (roofs, mechanical services, etc) necessary to remedy actual, or prevent imminent premises closure.
2. Health & Safety Investment in the physical aspects of premises which do not meet statutory regulations but that do not present an immediate threat of premises closure.
3. Condition Investment in the physical state of the major elements of premises based on external condition surveys.

Any request for capital and maintenance expenditure against the Central Reserves Fund, in addition to the expenditure set out in the 5-year capital plan, must be notified by the school, in the first instance, to the CEO and Finance Director for the Trust who will assess the request for funding on a case by case basis.

At the end of the financial year, any in year surplus will also be transferred to the central reserves fund. Any pre-approved budget deficit will be offset against the Central Reserves Fund. The reported deficit will be reviewed by the CEO and Finance Director, in conjunction with the Headteacher, to ensure that the deficit is in line with expectations and conditions set out at the point the deficit was approved.

Any unapproved deficit in the trust central budget or school budget at the end of the financial year will be reviewed by the CEO and Finance Director, in conjunction with Trustees, who will have the discretion to reclaim the overspend, wholly or partly, from the next years' budget if required.

### **11.6.3 Target Level of Reserves**

The Trust has determined that the appropriate minimum level of free reserves should be a sum equivalent to 1 month's payroll, and an additional £300k due to the uncertainties of future Government spending. An additional £50k of reserves will be ringfenced to provide for the financial impact of a business continuity issue or cyber security attack. It is recognised that there is a need to maintain reserves greater than the target to ensure that reserves are available for investment in Trust priorities and future capital projects. The level of reserves held should be presented and discussed at the Finance and Resources meetings to provide visibility of available funds and show evidence of compliance with the minimum reserves target.

Where reserves fall below the minimum target level, the Central Finance Team will work with the CEO to provide Trustees with a rationale for the decision, with a plan of how reserves will be maintained at / restored to the agreed levels over the next three years. The plan should be in writing and approved by Trustees, if appropriate, a reserves contribution may be applied to each school budget in order to maintain Trust reserves. Local Governing Bodies will be consulted during the planning process and such measures will be agreed annually as part of the budgeting process.

#### **11.6.4 Investment of Reserves**

The Trust will endeavour to invest its reserve funds wisely and with a low-risk philosophy to ensure funds not immediately required attract a healthy interest return. This will be done via longer-term high interest accounts. The return on any such investments will be reported annually to the Board.

#### **11.6.5 Academies Joining or Leaving the Trust**

Upon joining the Trust, the reserves associated with the joining school, will become part of the Trust's central reserve fund and remain so whilst the school is a member of the Trust.

For any school that chooses to leave the Trust that joined after 1 September 23, the Trust Board will agree the level of reserves that the school may depart with based on a calculation of the contributed reserves on joining, in year performance and reserves contributions outside budget.

#### **11.6.6 Appeals**

The Academies Trust Handbook (Section 5.31) stipulates that there must be an appeal process in place for constituent academies. If a constituent school's Headteacher feels that the academy has been unfairly treated, they should appeal in writing, directly to the Chair of Trustees (for consideration by the Board of Trustees) within 10 working days of receiving

- the final school budget (July each year)
- the decision regards a request to access additional funding / reserves.

The appeal should document the nature of the dispute, how much additional funding is required (supported by appropriate evidence), what the funding will be used for, and what would be the potential impact on the school if the funding was not received. The Board of Trustees will consider the appeal and notify the Headteacher of their decision within 10 working days of receipt of the written appeal. If the dispute cannot be fully resolved between the Trust Board and the Headteacher, the appeal should be escalated to the Secretary of State, via ESFA, whose decision is final and who can dis-apply the provisions for pooling in the financial handbook in relation to the trust.

## **12. Related Party Transactions**

In accordance with the Academies Trust Handbook (5.35) 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.

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

Related parties include persons and entities with control or significant influence over the academy trust, and members of the same group (e.g. parent and subsidiary companies, key management personnel and close family members). This description is not comprehensive. Reference should be made to:

- section 33 of Financial Reporting Standard 102.
- section 9.15 and appendix 1 of the Charities SORP.
- The related parties section of ESFA's Accounts Direction.







## Appendix B – 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 Trust Finance or Trust HR 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 Trust 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 £5,000	Budget Holder / Finance Director	
Operational Costs - General	Up to £299	Budget Holder	
	Up to £999	Trust Finance Director	Deputy Head
	Greater than £1,000		Head Teacher
	Greater than £2,500		CEO
	Greater than £10,000		CEO / Trust Chair
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 £10,000	Head Teacher	LGB / Finance Director
Supplies & Services	Over £10,000	Head Teacher	LGB / CEO / Trust Chair

	Over £25,000		LGB / CEO / Trust Board
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### Academy Expenditure – outside Approved Budget Expenditure Type

There are instances whereby a budget holder can spend outside of the approved budget, but the overall surplus/deficit must remain 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, the compensating over and under spends will be clearly shown in the management accounts and detailed in the narrative provided to the LGB / Trust Board.

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. The offset should be additional pupil income.	Head Teacher	LGB / Trust Board
Premises Costs	Budgets are set for reactive and planned maintenance and 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 an 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 C - 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 Public Procurement 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 Public Procurement Threshold** (Note 1)	Public Procurement Directives (Supplies and Services) apply and open, restricted or negotiated processes are followed.
Works – above Public Procurement Threshold** (Note 2)	Public Procurement Directives (Works) apply and open, restricted or negotiated processes are followed.

1 – Supplies and Services threshold 1 January 2022 inc VAT £426,955 (UCR 2016)

2 – Works (major capital projects) 1 January 2022 inc VAT - £5,336,937 (CCR 2016)

\***Procurement Value** is based on the Whole Life Cost of any contract.

\*\***Procurement Thresholds** dictate which sections of the Public Contracts Regulations companies are bound by. If the purchase meets or exceeds the threshold, then the tender must be structured to follow the processes set out within the Regulations.

### \*\*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 and 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 D - 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>	<p>CEO</p>
<p>A single transaction over £1,000</p> <p>Cumulative transactions above £5,000 in any one financial year per category of transaction.</p>	<p>Trust Board</p>
<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>	<p>EFA Approval</p>

**Appendix E – 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)

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

**Appendix F – 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.

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