



## Financial Management and Governance Policy

### Introduction

The purpose of this policy is to ensure that each academy in the Inspire Partnership Multi-Academy Trust (IPMAT) maintains and develops systems of financial control which conform to the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of our Funding Agreement (FA) with the Education Funding Agency (ESFA).

The Multi-Academy Trust must comply with the principles of financial control outlined in the Academies Financial Handbook (AFH), reissued September 2019, published by the ESFA. This policy expands on that and provides detailed information on the IPMAT accounting procedures. This Financial Management Policy should be read by all staff involved with financial systems.

### Organisation

Academy trusts are independent institutions and the financial accountability system set out in the Academies Financial Handbook reflects this by providing trusts with autonomy over financial transactions arising in the trust's normal course of business. Some transactions have delegated authority limits beyond which trusts must seek prior approval of ESFA. A schedule of requirements (the 'musts') is set out in Part 8 of the Academies Financial Handbook.

The Multi-Academy Trust has defined the responsibilities of each person involved in the administration of academy finances to avoid the duplication or omission of functions and to provide a framework of accountability for governors and staff.

The duties of key people responsible for running academy trusts.

Trustees and managers **must** have the skills, knowledge and experience to run the academy trust. Understanding your role will help ensure the trust complies with legal and contractual duties.

The financial reporting structure in each academy is illustrated below:

### Members

Every trust has members who have a similar role to shareholders of a company limited by shares. They:

- are the subscribers to the memorandum of association (where they are founding members)
- may amend the articles of association subject to any restrictions created by the funding agreement or charity law
- may, in certain circumstances, appoint new members or remove existing members
- have powers to appoint and remove trustees in certain circumstances
- may, by special resolution, issue direction to the trustees to take a specific action
- appoint the trust's auditors and receive the audited annual accounts (subject to the Companies Act)
- have power to change the company's name and, ultimately, wind it up.

To find out more about the role of members refer to the AFH part 1 or section 5 of the governance handbook.

## **Trustees**

The trustees of the academy trust are both charity trustees and company directors. This policy refers to them as trustees.

The trustees should focus on three core functions:

- ensuring clarity of vision, ethos and strategic direction
- holding executive leaders to account for the educational performance of the organisation and its pupils, and the performance management of staff
- Overseeing and ensuring effective financial performance.

The trustees **must** apply the highest standards of conduct and ensure robust governance, as these are critical for effective financial management. They should follow the Governance Handbook, which describes the following features of effective governance and will aid compliance with the Academies Financial Handbook:

- strategic leadership that sets and champions vision, ethos and strategy
- accountability that drives up educational standards and financial performance
- people with the right skills, experience, qualities and capacity
- structures that reinforce clearly defined roles and responsibilities
- compliance with statutory and contractual requirements
- evaluation of governance to monitor and improve its quality and impact

They **must** comply with the trust's charitable objects, with company and charity law, and with their funding agreement. Company directors' duties are described in sections 170 to 181 of the Companies Act 2006, but in summary are to:

- act within their powers
- promote the success of the company
- exercise independent judgement
- exercise reasonable care, skill and diligence
- avoid conflicts of interest
- not accept benefits from third parties
- declare interest in proposed transactions or arrangements

The trustees **must** ensure regularity and propriety in use of the trust's funds, and achieve economy, efficiency and effectiveness – the three elements of value for money.

The trustee board may delegate functions to committees. Each committee **must** contain a majority of trustees, but it may also include other people the trustee board chooses to appoint.

The trustee board **must** appoint an audit committee – either a dedicated committee or combined with another committee to advise on the adequacy of financial and other controls and risk management arrangements, to direct a programme of internal scrutiny and to consider the results and quality of external audit.

## **Accounting Officer / Chief Executive Officer (CEO)**

The board of trustees **must** appoint, in writing, a senior executive leader, in IPMAT this person will be the Chief Executive Officer.

The board **must** also appoint, in writing, a named individual as its accounting officer. Within IPMAT this person will be the Chief Executive Officer.

This individual **must** be a fit and suitable person for the role. The roles of senior executive leader and accounting officer **must not** rotate.

The appointment of an accounting officer does **not** remove the trustees' responsibility for the proper conduct and financial operation of the trust.

The accounting officer role includes specific responsibilities for financial matters. It includes a personal responsibility to Parliament, and to ESFA's accounting officer, for the trust's financial resources.

Accounting officers **must** be able to assure Parliament, and the public, of high standards of probity in the management of public funds, particularly regularity, propriety and value for money.

Accounting officers **must** adhere to The 7 principles of public life.

The accounting officer **must** have oversight of financial transactions, by:

- ensuring the academy trust's property and assets are under the trustees' control, and measures exist to prevent losses or misuse
- ensuring bank accounts, financial systems and financial records are operated by more than one person
- keeping full and accurate accounting records to support their annual accounts

The accounting officer **must** complete and sign a statement on regularity, propriety and compliance each year and submit this to ESFA with the audited accounts. The accounting officer **must** also demonstrate how the trust has secured value for money via the governance statement in the audited accounts.

The accounting officer **must** take personal responsibility (which **must not** be delegated) for assuring the board that there is compliance with the funding agreement and handbook.

The accounting officer **must** advise the board in writing if action it is considering is incompatible with the articles, funding agreement or handbook.

Similarly, the accounting officer **must** advise the board in writing if the board fails to act where required by the funding agreement or handbook. Where the board is minded to proceed, despite the accounting officer's advice, the accounting officer **must** consider the board's reasons and if the accounting officer still considers the action proposed by the board is in breach of the articles, the funding agreement or handbook, the accounting officer **must** notify ESFA's accounting officer immediately in writing.

The role of the accounting officer includes specific responsibilities for financial matters. It includes a personal responsibility to Parliament, and to ESFA's accounting officer, for the financial resources under the trust's control. Accounting officers must be able to assure Parliament, and the public, of high standards of probity in the management of public funds, particularly; value for money; regularity and propriety.

### **Chief Financial Officer (CFO)**

The board **must** appoint a chief financial officer (CFO), who is the trust's finance director, business manager or equivalent, to whom responsibility for the trust's detailed financial procedures is delegated. The CFO should play both a technical and leadership role.

The CFO and their finance staff **must** be appropriately qualified and/or experienced. Trusts **must** assess whether the CFO, and others holding key financial posts, should have a business or accountancy qualification and hold membership of a relevant professional body, dependent on the risk, scale and complexity of financial operations.

The CFO need not discharge all their duties personally. The trust may employ additional staff or contractors with the relevant skills and knowledge at the appropriate time.

### **Academy Headteacher/Head of School**

The Academy Headteacher/Head of School will ensure the delivery of the strategic objectives of the trust and the academy. Ensure compliance with the funding agreement and the obligations of the Academies Financial Handbook. Make recommendations on the appointments of governors and the training programme for governors. Ensure the Academies continued compliance with all ESFA/DfE financial management requirements.

The Academy Headteacher/Head of School will allocate financial duties to appropriate staff within their Academy bearing in mind that there is adequate division of duties between members of staff to provide appropriate levels of internal check and ensure full compliance with the AFH. They will make sure suitable controls are in place for the recording and collection of monies due and for the movement of banking money to all accounts under the control of their academy. The Academy Headteacher/Head of School will work closely with the CEO, CFO, Trustees, Local Governing Body and Business Manager/academy staff responsible for finance in the financial management of the academy.

The Academy Headteacher/Head of School is responsible for the review of their academies annual budget and should monitor and control expenditure against that budget during the financial year.

They should review all contracts on an on-going basis to ensure the academy continues to achieve best value. Ensure that a minimum of 3 quotes are requested for all purchases and contracts valued between £2,500 and £10,000, 3 written quotes are obtained for all purchases and contracts valued between £10,000 and £45,000. Items over £45,000 are formally tendered and items over Official Journal of the European Union (OJEC) limits require advertising for tender.

They will be able to authorise the movement of income and expenditure lines on the agreed budget up to £10,000 (must be reported to CEO) all expenditure approved within the delegated budget.

Maintain a register of gifts and hospitality received by members of the academy and report to the Local Governing body any concerns.

The Academy Headteacher/Head of School must ensure that VAT returns are completed for their individual academy.

The Academy Headteacher/Head of School will have delegated responsibility to commit the academy to individual expenditure up to £10,000 provided that this does not exceed the overall expenditure within the delegated budget. Amounts above this limit may only be incurred in conjunction with the LGB, Chief Executive officer (CEO) or the board. Where such action has been necessary the amount involved and an explanation should be provided to the next available meeting of the board.

The Academy Headteacher/Head of School can sign cheques for a single transaction up to £25,000 in conjunction with Person 1, the Chief Executive officer or Chief Financial officer.

The Board have agreed that once the budget is set the Academy Headteacher/Head of School in conjunction with the Chair of Governors can authorise emergency expenditure (i.e. not within the approved budget) up to £25,000.

### **Deputy Headteacher/Head of School**

The Deputy Headteacher should be aware of the Academy Headteacher/Head of School responsibilities as well as those of the Local Governing Body. He/she should be aware of the academy's internal financial organisation to sufficiently enable him/her to assume leadership of the academy should circumstances ever arise.

## **Academy Financial/Administration staffing**

The MAT's preference is for all funds due to the Academy to be paid via the Academies on-line system to reduce the amount of cash held in each Academy, if funds are to be brought into the Academy in person they should be given directly to reception/administration staff themselves who will immediately record them on the Academies dedicated financial management system (Tucasi, SCO) and issue a receipt. Funds will not be handled by teachers or support staff in the classroom.

Post-dated cheques are not accepted by the academy under any circumstances.

There should be a minimum of two financial/administrative members of staff so that there is appropriate segregation of duties. However, it is possible for segregation of duties to be established with other members of staff other than finance or administrative staff e.g. with the headteacher/head of school or roles shared with additional finance/ administrative staff. The importance is the segregation of duty between suitably trained or qualified staff not the specific role or number of the person/people carrying out the task.

**Person 1** may be the School Business Manager or other Senior Financial Staff he/she is responsible to the Local governing body, Headteacher/Head of School, CFO and CEO.

The main responsibilities are:

- The day-to-day management of financial issues including the establishment and operation of a suitable accounting systems in consultation with the CFO;
- The management of the academy financial position at an operational level within the framework for financial control, determined by the Board of Trustees;
- The maintenance of effective systems of internal control ;
- Ensuring that the accounts and financial records are properly maintained and adequately supported by the records of the academy;
- Preparation of the annual budget and 5-year plan, in conjunction with the Academy Headteacher/Head of School, CFO and CEO. To meet the budget preparation deadlines set by the CFO. Tracking actual expenditure against the budget throughout the year, and identifying area's where budget amendments may be necessary do to a change of circumstance's;
- Maintain a list of authorised signatories for the bank account (s) and for each financial process which details their name, position, usual signature and initials;
- Setting up new suppliers and customers on the Financial Management system, all new suppliers detailed should be verified in writing and checked verbally, and a record should be kept of this check;
- orders and contracts for good and services detailed in the agreed budget of the Academy of £10,000 or less;
- Authorising invoices to the finance system ensuring the correct and appropriate department, nominal ledger codes and VAT code;
- Finalising and sending BACs payments in conjunction with other authorised signatories (BACS totals up to £60,000 excluding payroll related transactions);
- To discuss Financial Management System access levels with the CFO;
- Correct miss-postings to the Financial Management System;
- Carry out journals to account for Accruals and Pre-payments of Receipts and Payments;
- Monitoring Contracts for goods and services to ensure the actual level of service meets the requirements set out in the contract specification;
- Raising Sales invoices & following up receipt of income;
- Sending monthly reports on income and expenditure to the CFO;
- Responsible for ensuring the following are reconciled each month: -
  - Sales ledger control account;
  - Purchase ledger control account and

- Bank balances per the cash book to the bank statements. Any unusual or long outstanding reconciling items must be investigated;
- Accurately recording income receipts on the finance system;
- Responsibility for the security of all cash and cheques, chequebooks, academy debit cards and other financial stationery;
- Ensuring the security of all information held on the academy's computer systems and compliance with the Data Protection Act;
- Maintaining the HR information system so that information about all staff employed at the academy, their working hours, working pattern, salary scale, term time allowance and any honorariums or allowances due to them is correct and up-to-date.
- Sending new starter details, Variance and any amendment to contracts to the MAT's central team;
- Placing advertisements for vacant positions at the Academy. Managing applications for positions advertised at the Academy, administering the short listing and interview process;
- Processing pre-recruitment checks and ensuring that pre-recruitment checks are completed before staff start working at the Academy in consultation with the central team.

## **Person 2**

- Ensure that all orders are authorised prior to processing;
- Processing purchase orders on the finance system;
- Checking goods received to purchase orders and recording goods not received;
- Checking invoices to purchase orders and delivery notes to ensure accuracy;
- Posting invoices to the finance system using the correct and appropriate department, nominal ledger codes and VAT code;
- Processing the initial BACS payment runs on the finance system, within the supplier payment terms;
- Signing BACS payments in conjunction with the Academy other authorised signatories;
- Arranging for authorised signatories to sign cheques and posting to suppliers together with remittance advices;
- Administering the collection, recording and banking of trip and other money;
- Managing petty cash;

## **Other academy staff**

All academy staff are responsible for the security of academy property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the academy's financial procedures.

## **Financial Planning and Reporting**

### **Budgeting**

The Board of Trustees will approve a balanced budget, each year and any significant changes to that budget throughout the financial year to 31 August, which can draw on unspent funds brought forward from previous years. The Board must minute their approval (s).

The Board will also consider longer term budgets and projections over a 5-year period in the interests of forward planning and business strategy.

The Business Manager or Senior Financial/administrative staff will be responsible for preparing each constituent academies the annual budget, and a projected further 4 year budget and this will be reviewed by the Headteacher/Head of School, the local governing body and the CFO before the

budget is taken to the Finance & Audit Committee. The budget will be recommended to the Board by the Finance & Audit Committee.

The annual budget will reflect the best estimate of the resources available to the academy for the forthcoming year and will detail how those resources are to be utilised. There should be a clear link between the development plan objectives and the budgeted utilisation of resources.

The budgetary planning process will incorporate the following elements:

- Forecasts of the likely number of pupils to estimate the amount of ESFA grant receivable;
- Review of other income sources available to the academy to assess likely level of receipts;
- Review of past performance against budgets to promote an understanding of the academy cost base;
- Identification of potential efficiency savings and
- Review of the main expenditure headings in light of the development plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes.

The school development plan provides the framework for the annual budget. The budget is a detailed statement of the expected resources available to the academy and the planned use of those resources for the following year.

The final budget should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.

The budget should be seen as a working document which may need revising throughout the year as circumstances change.

The academy trust **must** submit to ESFA, in a form specified by ESFA:

- a budget forecast return outturn by 21 May
- a 3-year budget forecast return by 30 July
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These **must** be approved by the trustees before submission.

The board of trustees **must** notify ESFA within 14 calendar days of its meeting if proposing to set a deficit revenue budget for the current financial year, which it cannot address after taking into account unspent funds from previous years.

The trust **must** prepare management accounts every month setting out its financial performance and position. Managers **must** take appropriate action to ensure ongoing viability.

Management accounts **must** be shared with the chair of trustees every month irrespective of the trust's size, and with the other trustees six times a year. The board **must** consider these when it meets.

The board **must** ensure appropriate action is being taken to maintain financial viability including addressing variances between the budget and actual income and expenditure.

The format of management accounts **must** include an income and expenditure account, variation to budget report, cash flows and balance sheet.

The trust **must** select key financial performance indicators and measure its performance against them regularly, including analysis in its annual trustees' report as explained in the Accounts Direction.

Where the board has concerns about financial performance, it should act quickly ensuring the trust has adequate financial skills in place.

The trust **must** manage its cash position robustly. It **must** avoid becoming overdrawn. It may be required to report on its cash position to ESFA where there are concerns about financial management.

### **Investments**

The board of trustees will invest to further their charitable aims, but they will ensure that investment risk is properly managed. When considering making an investment the board will: -

- Act within their powers to invest as set out in their articles of association;
- Have an investment policy to manage, control and track their financial exposure, and ensure value for money;
- Exercise care and skill in all investment decisions, taking advice as appropriate from a professional adviser;
- Ensure that exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximisation;
- Ensure that all investment decisions are in the best interests of the trust and command broad public support;
- review the trust's investments and investment policy regularly.

The board should follow the Charity Commission's guidance: CC14 Charities and investment matters: A guide for trustees. ESFA's approval **must** be obtained for novel, contentious and/or repercussive investments.

### **Income generation**

Inspire Partnership Multi-Academy Trust (IPMAT) will set fees for their chargeable services at full cost, but will apply an additional rate of return when in a commercial environment.

### **Financial reporting**

Inspire Partnership Multi-Academy Trust (IPMAT) will prepare an annual report and accounts, incorporating accounting policies approved by the board of trustees, and have them audited by a statutory auditor. Inspire Partnership Multi-Academy Trust (IPMAT) may also be required to report on its cash position to ESFA where there are concerns about financial management.

### **Internal Scrutiny**

The Multi-Academy Trust will establish a committee, appointed by the board of trustees, to provide assurance over the suitability of, and compliance with, its financial systems and operational controls.

Inspire Partnership Multi-Academy Trust (IPMAT) has resolved to include the functions of an audit committee within that of the Resource & Audit Committee.

IPMAT has established this committee in such a way as to achieve internal scrutiny which delivers objective and independent assurance therefore staff such as the CFO, COO and CEO can be members but they will not participate as members when audit matters are discussed; they will remain in attendance only to provide information and participate in discussions.

The Resource & Audit Committee will focus on providing assurance to the board of trustees that all risks are being adequately identified and managed with particular regard to:

- Reviewing the risks to internal financial control at the trust;
- Agree a programme of work to address, and provide assurance on, those risks;
- Financial controls and risks at constituent academies;

- Ensure that the information that is submitted to the DfE and ESFA that affects funding, including pupil number returns and funding claims by the trust and its constituent academies is accurate and in compliance with funding criteria;
- Ensure good financial management and effective internal controls;
- Complying with their funding agreement and the Academies Financial Handbook (AFH);
- Ensure sufficient rigour and scrutiny in the budget management process to understand and address variances between the budget that has been set and actual income and expenditure;
- Receive and consider information on financial performance at least three times a year, and take appropriate action to ensure ongoing viability.

The outcome of the committee's work should inform the governance statement that accompanies IPMAT's annual accounts and, so far as possible, provide assurance to external auditors.

IPMAT will manage this programme of risk review and checking of financial controls by employing the trust's external auditor to perform a supplementary internal audit programme of work

### **Transparency**

In the interest of transparency, the trust will publish on its website up-to-date details of its governance arrangements in a readily accessible format. This will include:

- The structure and remit of the members, board trustees, its committees and local governing bodies and the full names of the chair of each;
- The trusts scheme of delegation for governance functions;
- The full name, date of appointment, date stepped down (where applicable) and relevant business and pecuniary interest including governance roles in other education institutions of each **member** who has served at any point over the past 12 months;
- The full name, date of appointment, term of office, date stepped down (where applicable), who appointed them (in accordance with the trust's articles) and relevant business and pecuniary interest including governance roles in other education institutions of each **trustee and local governor who** has served at any point over the past 12 months. If the trusts **accounting officer** is not a trustee their relevant business and pecuniary interest must still be published;
- The attendance records at board and committee meetings of each trustee over the last academic year;
- The attendance records at local governing body meetings of each local governor over the last academic year.

### **Accounting System**

All the financial transactions of the academy must be recorded on the Financial Management accounting system.

### **System Access**

Entry to the Financial Management System is password restricted and the (School or Academy) Business Manager is responsible for implementing a system which ensures that passwords are changed regularly.

Access to the component parts of the Financial Management System can also be restricted and the Chief Financial Officer in discussion with the Academy or School Business Manager/senior financial or administrative staff will set access levels for all members of staff using the system.

## **Back-up Procedures**

The Business Manager (School or Academy) is responsible for ensuring that there are effective back up procedures for the finance system, following advice from the ICT support provider (currently in-house).

The academies disaster recovery plan should include plans for the event of loss of accounting facilities or financial data. This should link in with the annual assessment made by the Finance & Audit Committee of the major risks to which the Multi-Academy Trust is exposed and the systems that have been put in place to mitigate those risks.

## **Transaction Processing, quotes and tenders**

All transactions input to the Financial Management System, quotes and tenders limits must be authorised and followed in accordance with the Inspire Partnership Multi-Academy Trusts Scheme of delegation and financial framework.

Purchases by individual employees should be kept to a minimum and must have prior authorisation by the Headteacher/Head of School, Academy Business Manager/senior financial or administrative staff or the Budget Holder. If spend is over £30: an expenses authorisation form should be filled in and authorised prior to the purchase.

Staff making purchases on behalf of the academy should complete an expenses claim form, attaching **VAT receipts**. The expense claim form will be authorised by the Principal, Academy Business Manager/senior financial or administrative staff or the Budget Holder. Person 2 will refund the expenditure via petty cash (less than £30) or BACS/cheque (over £30).

Particulars of any deposit must be entered on the counterfoil of the bank paying in book. The details should include the amount of the deposit and a reference, such as the number of the receipt or the name of the debtor.

Monies and cheques received from any sources shall be reconciled to the accounting records and banked (or collected by a secure cash collection provider) in the appropriate accounts, at least fortnightly. Person1 will ensure the reconciliation has been undertaken and the monies banked in full. No expenditure should be incurred from monies collected as income.

The maximum limit of cash and/or cheques to be held on academy premises shall be in accordance with the academy's fidelity guarantee insurance requirements.

The nature of cash makes it very attractive and vulnerable to loss, it is therefore vital that secure arrangements are in place for its safekeeping and that the person responsible for its safekeeping is apparent at all times.

Where monies are collected from telephones or vending machines it is important that two people are present when the monies are collected and counted and that neither individually has the keys giving access at any other time. Any reconciliation of monies received for telephone bills or sales shall be independent of those involved in the collection of the monies.

Receipts must be provided by the members of staff with Purchase Cards. The receipts will be checked and the expenditure recorded on the appropriate Financial Management System. The expenditure amounts will then be checked against the daily bank reconciliations.

All cheques and other instruments authorising withdrawal from academy bank accounts must bear the signatures of two authorised signatories. Signatories may not sign a cheque reimbursing themselves.

Person1 must ensure bank statements are received regularly and that reconciliations to the cash book are performed at least on a monthly basis. Reconciliation procedures must ensure that adjustments arising are dealt with promptly.

Each Constituent Academy will have a Purchase Card, which will be issued to the Headteacher/Head of School, Deputy Head, Person 1 and CFO. For the Multi-Academy Trust the CFO will have a debit card. These cards are only to be used when cheque or BACs payments are not possible e.g. internet purchases i.e. Amazon up to £200 per single transaction, up to £1000 per month in total. Receipts must be retained and matched to transactions that are debited through the bank account. Expenditure must be approved in accordance with the Inspire Partnership Multi-Academy Trusts Scheme of delegation and financial framework.

Purchase Card Pin numbers must be memorised then destroyed by the member of staff named on the card. Pin numbers must not given out to any other members of staff. Purchase Cards should only be used by the staff authorised to use them

Each constituent Academy will maintain a maximum cash balance of £200 for the academy office petty cash tin which will be kept in the safe. The only deposits to petty cash should be from cash withdrawals made specifically for the purpose with the use of the cash card. The receipt should be recorded in the petty cash system with the date, amount and a reference, normally the cheque number, relating to the payment. All other cash receipts for whatever reason should be paid directly into the bank.

Petty cash payments will normally be limited to £30. Higher value payments should be made by cheque or BACS directly from the academy bank account.

Person 2 is responsible for entering all transactions into the petty cash records on a regular basis and regular cash counts should be undertaken by Person 1 to ensure that the cash balance reconciles to supporting documentation.

Person 1 is responsible for ensuring that the academy has sufficient funds available to pay for day to day operations. Cash flow forecasts will be prepared as required.

Contracts for other services, whether provided by either in-house or private contractors, must be monitored by Person 1 ensure the actual level of service meets the requirements set out in the contract specification.

### **Novel, contentious and repercussive transactions**

Novel, contentious and/or repercussive transactions **must** always be referred to ESFA for prior approval. ESFA may refer such transactions to HM Treasury for approval, so trusts should allow sufficient time for proposals to be considered.

- Novel transactions are those of which the academy trust has no experience, or are outside its range of normal business.
- Contentious transactions are those that might cause criticism of the trust by Parliament, the public or the media.
- Repercussive transactions are those likely to cause pressure on other trusts to take a similar approach and hence have wider financial implications.

### **Borrowing**

Academy trusts **must** obtain ESFA's prior approval for borrowing (including finance leases and overdraft facilities) from any source, where such borrowing is to be repaid from grant monies or secured on assets funded by grant monies, regardless of the interest rate chargeable. Credit cards

(Purchase Cards) **must** only be used for business expenditure, and balances cleared before interest accrues.

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

### **Gifts**

Inspire Partnership Multi-Academy Trust has a policy and a register for the acceptance of gifts, hospitality, awards, prizes or any other benefit which might be seen to compromise their personal judgment or integrity; and all members of staff are made aware of this. When giving gifts, the trust must ensure that the value of the gift is reasonable, is within the trust's scheme of delegation of financial powers, the decision is fully documented, and has due regard to propriety and regularity in the use of public funds.

### **Write-offs and entering into liabilities**

Inspire Partnership Multi-Academy Trust must obtain ESFA's prior approval for the following transactions beyond the delegated limits of the two categories set out below:

- Writing-off debts and losses
- Entering into guarantees, letters of comfort or indemnities

The delegated limits, subject to a maximum of £250,000, are:

- 1% of total annual income or £45,000 (whichever is smaller) per single transaction;
- Cumulatively, 2.5% of total annual income in any one financial year per category of transaction for any academy trusts that have not submitted timely, unqualified audited accounts for the previous two financial years. This category includes new academies that have not had the opportunity to produce two years of audited accounts;
- Cumulatively, 5% of total annual income in any one financial year per category of transaction for any academy trusts that have submitted timely, unqualified audited accounts for the previous two financial years.

In relation to these limits Inspire Partnership Multi-Academy Trust will:

- Always pursue recovery of amounts owed to it, overpayments, or payments made in error, irrespective of how they came to be made. In practice, however, there will be both practical and legal limits to how cases should be handled;
- Only consider writing-off losses after careful appraisal of the facts, including whether all reasonable action has been taken to effect recovery from the debtor, the trust's insurers, or the risk protection arrangement, and should be satisfied that there is no feasible alternative;
- The amounts for write-offs are before any successful claims from an insurer or the risk protection arrangement; Total annual income is defined as grant income as disclosed in the trust's last set of audited accounts.

Before accepting any liabilities by: -

- Issuing specific guarantees, or
- Providing a letter of comfort, or
- Providing indemnities

Inspire Partnership Multi-Academy Trust will secure value for money by appraising the proposal through an assessment of the costs and benefits of relevant options. The trust must ensure that the value of any liability is within its delegated authority to commit.

## Special payments

Certain transactions by public bodies may fall outside their usual planned range of activity, and may exceed statutory and contractual obligations. HM Treasury calls these special payments, (see annex 4.13 of Managing Public Money), and are subject to greater control than other payments.

They include:

- staff severance payments
- compensation payments
- ex gratia payments

## Special staff severance payments

Special staff severance payments are paid to employees outside statutory or contractual requirements when leaving public employment. They are different to ex gratia payments.

If an academy trust is considering a staff severance payment above statutory or contractual entitlements, it **must** consider the following issues before making a binding commitment:

- that the proposed payment is in the trust's interests
- Whether the payment is justified, based on legal assessment of the trust's chances of successfully defending the case at employment tribunal. If there is a significant prospect of losing the case, a settlement may be justified, especially if the costs of a defence are likely to be high. Where a legal assessment suggests the trust is likely to be successful, a settlement should not be offered
- If the settlement is justified, the trust would need to consider the level of settlement. This must be less than the legal assessment of what the relevant body (e.g. an employment tribunal) is likely to award

Staff severance payments should not be made where they could be seen as a reward for failure, such as gross misconduct or poor performance. The only acceptable rationale in the case of gross misconduct would be where legal advice is that the claimant is likely to succeed in an employment tribunal because of employment law procedural errors. In the case of poor performance, an acceptable comparison would be the time and cost of taking someone through performance management and capability procedures.

Inspire Partnership Multi-Academy Trust has delegated authority to approve individual staff severance payments provided any non-statutory/non-contractual element is under £50,000. Where the trust is considering a non-statutory/non-contractual payment of £50,000 or more ESFA's prior approval must be obtained before the trust makes any binding settlement offer to staff.

Inspire Partnership Multi-Academy Trust will demonstrate value for money by applying the same level of scrutiny to a payment under £50,000 as if it were over the £50,000 delegation and have a business case justifying the level of settlement reached. Settlements must not be accepted unless they satisfy the conditions in the Academies Financial Handbook and in ESFA's guidance and submission template.

## Compensation payments

Compensation payments provide redress for loss or injury, for example personal injuries, traffic accidents or damage to property. If an academy trust is considering a compensation payment, it **must** base its decision on a careful appraisal, including legal advice where relevant, and ensure value for money.

Academy trusts have delegated authority to approve individual compensation payments provided any non-statutory/non-contractual element is under £50,000. Where the trust is considering a non-statutory/non-contractual payment of £50,000 or more ESFA's prior approval **must** be obtained. ESFA will refer such transactions to HM Treasury.

Inspire Partnership Multi-Academy Trust should routinely consider whether particular cases reveal concerns about the effectiveness of internal control systems, and take any necessary steps to put failings right.

### **Ex-gratia payments**

Ex-gratia payments are another type of transaction that go beyond statutory or contractual cover, or administrative rules. Annex 4.13 of HM Treasury's Managing Public Money provides examples, which include payments to meet hardship caused by official failure or delay, and payments to avoid legal action on the grounds of official inadequacy.

Ex-gratia payments are separate to other classes of special payment such as staff severance payments and compensation payments. Statutory and contractual payments made to academy staff in accordance with the trust's pay and conditions policy would not be ex gratia.

Ex-gratia transactions must always be referred to ESFA for prior authorisation. HM Treasury approval may also be needed dependent on the nature of the transaction. If trusts are in any doubt about a proposed transaction they should seek prior advice from ESFA.

### **Acquisition and disposal of fixed assets**

Inspire Partnership Multi-Academy Trust must seek and obtain prior written approval from ESFA for the following transactions:

- acquiring a freehold of land or buildings
- disposing of a freehold of land or buildings
- disposing of heritage assets beyond any limits set out in Inspire Partnership Multi-Academy Trust funding agreement in respect of the disposal of assets generally. Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture, as defined in applicable financial reporting standards

Other than land, buildings and heritage assets, Inspire Partnership Multi-Academy Trust can dispose of any other fixed asset without ESFA's prior approval. However, Inspire Partnership Multi-Academy Trust must ensure that any disposal achieves the best price that can reasonably be obtained, and maintains the principles of regularity, propriety and value for money. This can involve public sale where assets have a residual value.

### **Leasing**

There are two types of lease:

- operating leases: these do not represent borrowing
- finance leases: these are a form of borrowing

Inspire Partnership Multi-Academy Trust do not require ESFA's approval for operating leases except for some transactions relating to land or buildings.

Inspire Partnership Multi-Academy Trust must obtain ESFA's prior approval for the following leasing transactions:

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

Inspire Partnership Multi-Academy Trust must ensure that any lease arrangement maintains the principles of value for money, regularity and propriety whether or not ESFA's prior approval is

required. Inspire Partnership Multi-Academy Trust should seek advice from their professional financial adviser and/or external auditor if they are in any doubt over whether a lease involves an element of borrowing.

### **Payroll**

The Trust has an approved personnel structure for the academy. Changes can only be made to this structure with the express approval in the first instance of the Resource & Audit Committee, who must ensure that adequate budgetary provision exists for any structure changes.

The Headteacher has authority to appoint staff within the authorised structure except for the Deputy Headteacher and the Business Manager, whose appointments must follow consultation with the Local Governors. The Business Manager/1 maintains personnel files for all members of staff, which include contracts of employment.

### **Payroll Administration**

Inspire Partnership Multi-Academy Trust payroll and Auto-enrolment service is administered externally by a third party provider and checked by the central team before being finally authorised for payment by the CFO or Business Operations Officer (BOO). The CEO, CFO, BOO LGB and the Board are authorised by the Trust Financial Framework to make all mandatory changes to the payroll without further authority e.g. Tax, NI and pension contribution rates, tax code changes, attachment of earnings etc.

New staff can only be added to the payroll with the express approval of the Head Teacher, Person 1, CEO, CFO, LGB or Board of Trustees (except to add themselves to the payroll) as set out in the Trust Financial Framework.

New staff must complete all relevant payroll documents issued by the Person 1. Failure to do this may result in non-payment of salary. In these circumstances, the salary payment may not be made until the next payroll run in the following month. Staff can only be terminated from the payroll with the express approval of the CEO, Head Teacher, LGB or Board of Trustees. Payment for sickness or maternity must be authorised by the Headteacher/Head of School in line with the employment contract for the individual. Where leave of absence is discretionary payment can only be made with the express approval of the CEO, Head Teacher, LGB or Board of Trustees.

Overtime must be agreed in advance by the Board of Trustees, CEO, CFO, Head Teacher, LGB or Person 1. The staff member should fill in an overtime claim form on the HR System (HCSS People) for authorisation. Overtime will be paid at standard rate as detailed in the staff members Terms and Conditions in the payroll run following the claim.

Staff who are paid on submission of a time-sheet (i.e. those with a Casual Worker Agreement) must complete an overtime claim form on the HR System (HCSS People) by the given date of the month following the claim month. Failure to do this may result in non-payment of salary until the following month. The time-sheets must be checked and signed by the appropriate person, see the Financial Framework, prior to being submitted to payroll.

Salary amendments can only be made with the express approval of the Board of Trustees, CEO, CFO, Head Teacher, LGB or Person1, as detailed in the Financial Framework. The details of the amendments are recorded on the HR System (HCSS People) and any relevant paperwork is retained by Person 1.

The draft payslips are checked by the central team before being authorised for payment by the CFO or BOO.

When the payslips are correct a BACS transmission is raised by the Academies third party provider.

Sickness absence will be recorded on the HR System (HCSS People).

### **Asset Register**

All items purchased with a value over the academy's capitalisation limit of £1000 must be entered in an asset register system. The asset register system should include the following information:

- Asset description
- Asset number
- Serial number (if available)
- Date of acquisition
- Asset cost
- Source of funding (% of original cost funded from ESFA grant and % funded from other sources)
- Expected useful economic life
- Depreciation
- Current book value
- Location
- Name of member of staff responsible for the asset

The Asset Register System helps:

- Ensure that staff take responsibility for the safe custody of assets;
- Enable independent checks on the safe custody of assets, as a deterrent against theft or misuse;
- To manage the effective utilisation of assets and to plan for their replacement;
- Help the external auditors to draw conclusions on the annual accounts and the academy's financial system and support insurance claims in the event of fire, theft, vandalism or other disasters

### **Depreciation**

Depreciation on assets is as follows:-

- i. Inherited buildings over the remainder of the 50 year life on a straight line basis
- ii. New building over the life of the building, mostly 50 years on a straight line basis
- iii. Fixtures, fittings and equipment over 10 years on a straight line basis
- iv. Computer equipment over 3 years on a straight line basis

No depreciation is provided on freehold land. Depreciation on assets in the course of construction is not charged until they are brought into use. Depreciation is calculated annually with the assistance of the accountants.

### **Security of Assets**

Equipment must be secured by means of physical and other security devices.

All the items in the register should be permanently and visibly marked as the academy's property and there should be a regular (at least annual) count by someone other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to the CEO, CFO LGB and the Headteacher/Head of School. Inventories of academy property should be kept up to date and reviewed regularly. Where items are used by the academy but do not belong to it this should be noted.

### **Loan of Assets**

Items of academy property must not be removed from academy premises without the authority of the Board of Trustees, CEO, CFO, Head Teacher, LGB or Person1. A record of the loan must be recorded on a loan of equipment form and booked back into the academy when it is returned.

If assets are on loan for extended periods or to a single member of staff on a regular basis the situation may give rise to a 'benefit-in-kind' for taxation purposes. Loans should therefore be kept under review and any potential benefits discussed with the trusts auditors.

**Responsibility**

Person 1 will maintain the individual academy's asset register. Individual members of staff will be made responsible for the safekeeping of the items within their location inventory

**Review of this Policy**

The Financial Management and Governance policy will be reviewed by the CFO periodically, but at least every two years and any amendments will be referred to the Board of Trustees.

<b>Chief Executive Officer:</b>		<b>Date:</b>	01.10.2019
<b>Chair of the Board:</b>		<b>Date:</b>	01.10.2019

## Appendix 1

### PURCHASING POLICY

#### 1. Best Value

##### Introduction

Each Local Governing Body is accountable for the way in which the individual academy's resources are allocated to meet the objectives set out in the academy's and Multi-Academy Trusts development plans. The Board and Local Governors need to secure the best possible outcome for pupils, in the most efficient and effective way, at a reasonable cost. This will lead to continuous improvement in the Multi-Academy Trusts and individual academy's achievements and services

##### What Is Best Value?

Governors will apply the four principles of *best value*:

**Challenge** - Is the academy's performance high enough? Why and how is a service provided? Do we still need it? Can it be delivered differently? What do parents want?

**Compare** - How does the academy's pupil performance and financial performance compare with all academies? How does it compare with similar academies?

**Consult** - How does the academy seek the views of stakeholders about the services the academy provides?

**Compete** - How does the academy secure efficient and effective services? Are Services of appropriate quality, economic?

##### Purchasing

The Board, Local Governing Bodies and academy managers will develop procedures for assessing need, and obtaining goods and services which provide "best value" in terms of

- **Economy**: minimising the cost of resources used or required (inputs) – **spending less**;
- **Efficiency**: the relationship between the output from goods or services and the resources to produce them – **spending well**; and
- **Effectiveness**: the relationship between the intended and actual results of public spending (outcomes) – **spending wisely**

Measures already in place include:

- competitive tendering procedures (e.g. for goods and services above £25,000)
- procedures for accepting "best value" quotes, which are not necessarily the cheapest (e.g. suitability for purpose and quality of workmanship)
- procedures which minimise office time by the purchase of goods or services under £1000 direct from known, reliable suppliers (e.g. stationery, small equipment)

##### Order Process System

All orders must be placed via a requisition form.

Verbal/telephone orders must **not** be placed. If there are any emergency situations where Telephone / verbal orders are essential; they should always be followed up with an order clearly marked **CONFIRMATION ORDER**.

The requisition form must be fully completed and authorised by the budget holder. Catalogue/Item No's. should be quoted (where possible). Requisition forms must be forwarded to a named person in the office for processing.

All orders and non-order Invoices will be checked and counter signed as detailed in the Inspire Partnership Multi-Academy Trust Financial Framework section1 to ensure that sufficient funds are available within the appropriate budget before being processed.

Copies of the requisition form can be obtained from the Academies Finance Office and will also be held in a computer file that can be accessed by all staff.

For Purchases up to £2,500 1 written or verbal quote needs to be documented. If via a approved catalogue, clear reference to the items needs to be made on an order form.

For purchases between £2,500 - £10,000 per item 3 written quotes should be requested. The lowest quotation need not be accepted if best value can be shown, as above.

For Purchases between £10,000 - £25,000 3 written quotes are required with documented rational for the decision made.

Items over £25,000 are to be formally tendered with approval of the tendering process needed in writing on Company headed paper.

Items over Official Journal of the European Union (OJEU) limits require advertising for tender and awarding such tender.

### **Reimbursements**

Reimbursements will be made into an individual's bank account, unless the cost is below £30 when it will be reimbursed from Petty Cash.

A VAT receipt must be presented with the claim before any reimbursement can be made.

### **Budget Statements**

Each budget holder will receive a statement periodically which will include all orders, invoices and petty cash claims.

Budget holders are responsible for checking the contents of the statement and raising any concerns to the appropriate staff member.