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Community Inclusive Trust **Financial Management Policy**

1. Overview:

- 1.1. The purpose of this document is to outline how Community Inclusive Trust (CIT) maintains and develops effective systems of financial control that conform with the requirements of statutory & regulatory authorities, as well as complying with established principles of good financial management and common sense. It is essential that these systems meet the requirements of the Funding Agreement between CIT, the Education & Skills Funding Agency (ESFA) and the Department for Education (DfE); meet the requirements as laid down in Academies Financial Handbook (published by ESFA), and are in accordance with CIT's Articles of Association.
- 1.2. Each Academy must comply with the principles of financial control outlined in the Academies Financial Handbook published by the ESFA. This handbook converts this into practical detailed information on the Academy's accounting policies and procedures and should be read and absorbed by all staff interacting with the Trust's finances. It is split into two documents; the first being the Trust's policies which is visible on the Trust's website and relates to this document, the second document covers the more detailed operational procedures across the Trust.
- 1.3. It is incumbent on Members, Directors, Staff and all parties engaged by or with the Trust to observe both the letter but also the spirit of the Trust Financial Management Policy and the Trust Financial Operational Procedures Handbook. The Trust is responsible for public money and as such the duty of care is naturally set very high. Whenever in doubt and where this handbook does not specifically set out an appropriate approach, the highest principles should be observed to ensure the Trust is able to fully stand behind the approach taken by the decision maker.

2. Organisation:

- 2.1. CIT is a Company limited by Guarantee, registered in England and Wales and is a Multi Academy Trust. The Company has charitable status.
- 2.2. The Trust has defined the responsibilities of each person involved in the administration of both Trust level and individual Academy finances. The financial reporting structure is illustrated in the following bullet points:
- 2.3. **The Trust Board and the Finance/Audit Committee**
 - 2.3.1. The Trust Board has overall responsibility for the management and administration of the Academy Trust's finances. The CIT Board is led by the "Chair". It is the Trust's statutory responsibility to safeguard the assets of the company and to meet all requirements of the Companies Act. The main DfE prescribed responsibilities are set out in the Master Funding Agreement issued to the CIT by the DfE include;
 - 2.3.1.1. appointment of Senior Executive Leader/Accounting Officer, Chief Operations/Financial Officer, Clerk to the Board of Trustees, Finance Committee, Statutory (external) Auditor,
 - 2.3.1.2. ensuring that educational grants are used for the purpose intended,
 - 2.3.1.3. managing budgets to be balanced, and annual approval of those budgets,
 - 2.3.1.4. approval and issuing of Annual audited accounts to ESFA,
 - 2.3.1.5. instructing and reviewing internal audit reports to ensure high internal rigour,
 - 2.3.1.6. appointment of Academy Head Teachers.
 - 2.3.2. The Senior Executive Leader (who is a member of the CIT Trust Board) is also The Accounting Officer (AO). The AO has a personal responsibility to Parliament, and to EFA's accounting officer, for the financial resources under the trust's control and is also required to submit to ESFA an annual statement indicating the Trust has secured value for money.

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- 2.3.3. The Chief Financial/Operations Officer (CFO/COO) is the trust's finance director, business manager or equivalent, to lead on financial matters, ensuring sound and appropriate financial governance and risk management arrangements are in place, preparing and monitoring of budgets, and ensuring the delivery of annual accounts. The CFO/COO is not a member of the Trust Board.
- 2.3.4. Finance Committee - Academy trusts must establish a committee to provide assurance over the suitability of, and compliance with, its financial systems and operational controls. Members of the finance committee are appointed by the Trust Board. Trusts which have a level of annual income below £50 million have flexibility to establish either a dedicated audit committee, or to include the functions of an audit committee within another committee. The CIT Trust Board has established a Finance and Financial Audit Committee (F&FAC) to oversee and advise the Trust Board on all matters of finance (see Appendix 1 (point 15) below for terms of reference, key duties and membership aspects of the F&FAC).
- 2.3.5. The Trust Board will expect to be advised on all significant matters of finance and financial control by the F&FAC, but ESFA in any case imposes some specific limits of authority on trusts whereby should there be any intention to exceed such limits special approval from ESFA is required. The key ESFA limits are shown in Appendices – Annex B -Schedule of Freedoms and Delegations.
- 2.3.6. All Trustees expenses will be co-signed by another Trustee.
- 2.4. The Local Governing Body**
- 2.4.1. Each Academy Local Governing Body has delegated responsibility for the administration of the Academy's finances as decided upon and delegated to it by the CIT Trust Board and CFO, who are in turn advised by the F&FAC. The main responsibilities include;
- 2.4.1.1. ensuring that income relating to the charitable objects of the Trust is used only for the purposes intended,
- 2.4.1.2. adopt financial prudence in managing the financial affairs of the Trust in so far as these relate to the Academy and are delegated to them,
- 2.4.1.3. understanding the annual budget and monitoring financial performance,
- 2.4.1.4. in consultation with Trust, appointment of the Head Teacher,
- 2.4.1.5. reviewing and approving data for submission to the Trust,
- 2.4.1.6. considering reports from the Academy, F&FAC or equivalent body
- 2.5. The Head Teacher**
- 2.5.1. Within the framework of the Academy development plan as approved by the Local Governing Body, the Head Teacher has overall executive responsibility for the Academy's activities including some financial activities.
- 2.6. The Head of Finance**
- 2.6.1. The Head of Finance works in close collaboration with the Academy Head Teachers through whom he/she is responsible to the Chief Operations Officer and the Board. The Head of Finance also has direct access to the Board via the F&FAC.
- 2.7. The Academy School Business Manager**
- 2.7.1. The School Business Manager reports to the Head of Finance and works in close collaboration with Head Teachers / Senior Leadership Team for the day to day management of financial issues of the Academy.
- 2.8. Internal Audit**
- 2.8.1. Internal financial audit is a continuous process within the management of CIT's financial affairs by its Finance team. This continuous process is supplemented by the commissioning of a programme of internal audits by external service providers.

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2.8.2. The F&FAC advises the CIT Trust Board on the appointment, re-appointment, dismissal, remuneration, scope & programme of work and reports of the internal audit service provided by external service providers. (See appendix 1 for key duties and membership aspects of the F&FAC.).

2.9. **Other Trust/Academy Staff and Partners/Subcontractors/Suppliers**

2.9.1. Other staff/partners/subcontractors/suppliers will have varying degrees of access to Trust/Academy assets and all will have some financial responsibilities. All such publics are responsible for;

2.9.1.1. the security of academy property, for avoiding loss or damage,

2.9.1.2. for ensuring economy and efficiency in the use of resources, and

2.9.1.3. for conformity with the requirements of the Trust/Academy's financial procedures.

2.10. **Register of Pecuniary Interests**

2.10.1. The Trust maintains a Register of Pecuniary interests. The register is open to public inspection.

3. **Accounting System:**

3.1. The Trust operates a recognised financial accounting system. Entry to the system is password restricted and passwords are changed on a regular basis. Where it is suspected that unauthorised access to the system has taken place, the F&FAC shall be notified immediately.

3.2. The Chief Operating Officer (COO)/Head of Finance is responsible for ensuring that there is effective back up procedures for financial data and that provision is made for restoring data in a disaster. A disaster recovery plan is in place in the event of a loss of a financial system.

4. **Financial Planning:**

4.1. The Academy prepares medium term (3 years) and annual financial plans.

4.2. The medium term financial plans are prepared as part of the development planning process. The development plan indicates how the Academy's educational and other objectives are going to be achieved within the expected level of resources over the next three-year period.

4.3. The 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.

4.4. **Development Plan**

4.4.1. The development plan is concerned with the future aims and objectives of the Academy and how they are to be achieved; that includes matching the Academy's objectives and targets to the resources expected to be available. Plans should be kept relatively simple and flexible. They are the "Big Picture" within which more detailed plans may be integrated.

4.4.2. Each year the Central finance team will propose a planning cycle and timetable to the Trust Board and the Governing Body.

4.4.3. The completed development plan will include detailed objectives for the coming academic year and outline broad objectives for the following two years. The plan should also include the estimated resource costs, both capital and revenue, associated with each objective and success criteria against which achievement can be measured.

4.5. **Annual Budget**

4.5.1. The Head of Finance in conjunction with, the Trust Senior Leadership Team / Executive Head Teacher and/or the School Business Manager is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the Accounting Officer, the F&FAC and the Trust.

4.5.2. The approved budget must be submitted to the ESFA by the specified deadline each year and the Head of Finance is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.

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4.5.3. 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.

4.6. **Monitoring and Review**

4.6.1. Monthly budget monitoring will be undertaken by the Head of Finance and School Business Managers. Termly reports will be prepared by the Head of Finance for disclosure to the COO/CEO and Senior Leadership Team / Head Teachers. The reports will detail actual income and expenditure against budget at a summary level for the Head Teacher and the Trust F&FAC.

4.6.2. Any potential overspend against the Academy budget must in the first instance be discussed with the Head of Finance and Senior Leadership Team/Head Teacher, and then highlighted at Governing Body.

4.6.3. The monitoring process should be effective and timely in highlighting variances in the budget so that differences can be investigated and action taken where appropriate.

5. **Staff & Payroll:**

5.1. **Payroll Administration**

5.1.1. The Trust payroll is administered by an external payroll provider. The Academy Office/HR Representative/School Business Manager are responsible for updating the information passed to them in a timely manner on a monthly basis.

5.1.2. Changes to contracts, including details of any new appointments, terminations, contract changes or additional payments are prepared by administrative staff and must be authorised by Senior Leadership Team member/Head Teachers and CIT Central Office before passing to the payroll provider for action.

5.2. **Changes to Payroll**

5.2.1. Changes to payroll documents (including payment of extra hours, change to pay scale etc.) must be authorised appropriately and then forwarded to the payroll provider. Any documents relating to changes to payroll must be passed to CIT finance team and retained in the member of staff's personnel file.

5.3. **Payroll Documentation**

5.3.1. All staff members should have their own files kept locked away with access restricted to named employees

5.4. **Staff Expenses**

5.4.1. All hotel, subsistence and travel expenses will be claimed at cost and capped at a specific amount per day as detailed in the Trust Financial Operating procedures manual.

5.4.2. All expenses are to be accompanied with receipts and authorised as appropriate.

5.4.3. Mileage expenses will be paid at the HMRC recommended rate and should be the lesser of the employee home to the Academy or CIT Central Office to the Academy.

6. **Purchasing:**

6.1. CIT will attempt to achieve the best value for money from all purchases. This means getting what is needed in the correct quality, quantity and time at the best price possible. A large proportion of purchases will be paid for with public funds and there is a need to maintain the integrity of these funds by following the general principles of:

6.1.1. **Probity**, it must be demonstrable that there is no corruption or private gain involved in the contractual relationships of the academy;

6.1.2. **Accountability**, the academy is publicly accountable for its expenditure and the conduct of its affairs;

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- 6.1.3. **Fairness**, that all those dealt with by the academy are dealt with on a fair and equitable basis.

CIT will work closely with all the Academies within the Trust to support the development of Cross-Trust buying power.

6.2. **Framework.**

- 6.2.1. Should orders be raised against Government Frameworks such as ESPO then the normal practice of getting two verbal quotes for orders below £3,500 may be overlooked and only one price is required from said Framework supplier.
- 6.2.2. This is at the discretion of the person wishing to raise an order who may feel that, as per best practice and under the stipulations of point 6.4, two quote should be obtained.
- 6.2.3. For the continuation of the use of Frameworks it is advisable that at regular intervals prices are double checked against the market to ensure best value for money.
- 6.2.4. For the continuation of the use of Frameworks it is advisable that at regular intervals service levels and quality are checked to ensure substandard services and goods are not being delivered and as such the Trust may not get the best value for money.

6.3. **Contracts.**

- 6.3.1. If it is known that more than one order may need to be placed for certain goods and once verbal quotes for orders between £1,000 and £3,500, written quotes for orders between £3,500 and £50,000 and tenders for orders over £50,000 it may be prudent to enter into a longer term contract with the supplier who has been awarded the business.

6.3.2. Contract lengths:

- 6.3.2.1. Minimum Length – No minimum length is required but dependent on time taken to seek quotes/tenders, negotiate terms, value of the order and subsequent requirements it would be prudent to set this at no less than 6 months.

- 6.3.2.2. Maximum Length – 36 months (3 years).

- 6.3.2.3. Rolling Contracts – It is advisable to set a maximum time frame on the contract but state when negotiating that the contract should run on a monthly rolling basis and that the Trust has the right to give 30 days' notice of cancellation of said contract at any time during the agreed period with no get out clauses or penalties. That the supplier has to give a minimum of 60 days' notice of termination and must complete any and all on going commitments or be liable for any and all costs arising for breach of commitment.

6.3.3. Due Diligence during Contracted Period.

- 6.3.3.1. Prior to entering a contract with a supplier, a meeting should be arranged with said supplier to ascertain the following information;

- Financial Stability – Profit and Loss accounts for the current and previous 2 full years should be checked by the Head of Finance.
- Ability to fulfil the agreed commitment and any future requirements within the Trust as a whole.
- Quality of product through samples and site visits where appropriate.

- 6.3.3.2. During the contracted period and at a maximum of 12 month intervals the supplier should be audited to ensure that there have been no changes to the initial agreement and circumstances of the supplier. The Trust should also endeavour to monitor service and price levels through KPI's with a view to continuing or terminating the contract as appropriate.

6.4. **Charge Cards**

- 6.4.1. Where appropriate, the Academy charge card can be used to make payments. This should only be used in the following circumstances;

- 6.4.1.1. if a cost saving can be demonstrated,

- 6.4.1.2. the item is of low value,

- 6.4.1.3. for costs where an invoice is unavailable (e.g. course fees/travel costs),

- 6.4.1.4. if a supplier does not offer credit,

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- 6.4.1.5. in cases of emergency when no other forms of procurement/payment are available.
- 6.4.2. All items must be approved in advance via the relevant form and in accordance with the Scheme of Delegation.
- 6.4.3. All Charge card holders must sign and complete an Acceptable User Policy declaration, prior to cards being issued. Charge card purchases are limited as outlined in the Scheme of Delegation detailed in the Operational procedures manual.
- 6.5. Routine Purchasing**
- 6.5.1. Budget holders will be informed of the budget available to them at least one month before the start of the academic year. It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent.
- 6.5.2. All requests for purchase orders should be completed using a Purchase Order requisition form and signed in accordance with the Scheme of Delegation unless;
- 6.5.2.1. It is in respect of utilities, rates or catering,
- 6.5.2.2. It is a low-cost item of <£50,
- 6.5.2.3. The cost is related to trip expenditure,
- 6.5.2.4. A formal contract has been entered into whereby other means of approval are valid,
- 6.5.2.5. An alternative process has been agreed with the Strategic Team Member,
- 6.6. Forms of Tenders**
- 6.6.1. There are three forms of tender procedure: open, restricted and negotiated and the circumstances in which each procedure should be used are described below:
- 6.6.1.1. **Open Tender:** This is where all potential suppliers are invited to tender. The Head Teacher must discuss and agree with the School Business Manager how best to advertise for suppliers e.g. general press, trade journals or to identify all potential suppliers and contact directly if practical. This is the preferred method of tendering, as it is most conducive to competition and the propriety of public funds.
- 6.6.1.2. **Restricted Tender:** This is where suppliers are specifically invited to tender. Restricted tenders are appropriate where:
- There is a need to maintain a balance between the contract value and administrative costs,
 - a large number of suppliers would come forward or because the nature of the goods is such that only specific suppliers can be expected to supply the Academy's requirements,
 - the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.
- 6.6.1.3. **Negotiated Tender:** The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances:
- the above methods have resulted in either no or unacceptable tenders,
 - only one or very few suppliers are available,
 - extreme urgency exists,
 - it would build on previous works already done (e.g., previous supplier knowledge of site specifics),
 - additional deliveries/services by the existing supplier are justified.
- 6.7. Preparation for Tender**
- 6.7.1. Full consideration should be given to:
- 6.7.1.1. objective of project
- 6.7.1.2. overall requirements
- 6.7.1.3. technical skills required
- 6.7.1.4. after sales service requirements
- 6.7.1.5. form of contract.

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- 6.7.2. It may be useful after all requirements have been established to rank requirements (e.g. mandatory, desirable and additional) and award marks to suppliers on fulfilment of these requirements to help reach an overall decision.
- 6.8. **Invitation to Tender**
 - 6.8.1. If a restricted tender is to be used, then an invitation to tender must be issued. If an open tender is used an invitation to tender may be issued in response to an initial enquiry.
 - 6.8.2. An invitation to tender should include the following;
 - 6.8.2.1. introduction/background to the project,
 - 6.8.2.2. scope and objectives of the project,
 - 6.8.2.3. technical requirements,
 - 6.8.2.4. implementation of the project,
 - 6.8.2.5. terms and conditions of tender and,
 - 6.8.2.6. form of response.
- 6.9. **Aspects to Consider**
 - 6.9.1. **Financial**
 - 6.9.1.1. Like should be compared with like and if a lower price means a reduced service or lower quality this must be borne in mind when reaching a decision.
 - 6.9.1.2. Care should be taken to ensure that the tender price is the total price and that there are no hidden or extra costs.
 - 6.9.1.3. Is there scope for negotiation?
 - 6.9.2. **Technical/Suitability**
 - 6.9.2.1. Qualifications of the contractor,
 - 6.9.2.2. Relevant experience of the contractor,
 - 6.9.2.3. Descriptions of technical and service facilities,
 - 6.9.2.4. Certificates of quality/conformity with standards,
 - 6.9.2.5. Quality control procedures,
 - 6.9.2.6. Details of previous sales and references from past customers.
 - 6.9.3. **Other Considerations**
 - 6.9.3.1. Pre-sales demonstrations,
 - 6.9.3.2. After sales service,
 - 6.9.3.3. Financial status of supplier. Suppliers in financial difficulty may have problems completing contracts and in the provision of after sales service. It may be appropriate to have an accountant or similarly qualified person examine audited accounts etc.
- 6.10. **Tender Acceptance Procedures**
 - 6.10.1. The invitation to tender should state the date and time by which the completed tender document should be received by the academy. Tenders should be submitted in plain envelopes clearly marked to indicate they contain tender documents. The envelopes should be time and date stamped on receipt and stored in a secure place prior to tender opening. Tenders received after the submission deadline should not normally be accepted.
- 6.11. **Tender Opening Procedures**
 - 6.11.1. All tenders submitted should be opened at the same time and the tender details should be recorded. Two persons should be present for the opening of tenders as follows:
 - 6.11.1.1. For contracts up to £50,000 - the Senior Leadership Team member/Head Teacher or the School Business Manager or a member of CIT finance team;
 - 6.11.1.2. For contracts over £50,000 - either the School Business Manager or the Senior Leadership Team member/Head Teacher and a member of CIT finance team or a member of the F&FAC/Local Governing Body.
 - 6.11.2. A separate record should be established to record the names of the firms submitting tenders and the amount tendered. This record must be signed by both people present at the tender opening.

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6.12. **Tendering Procedures**

- 6.12.1. For CIT and individual Academies, the evaluation process for tendering should involve at least two people. Those involved should disclose all interests, business and otherwise, that might impact upon their objectivity. If there is a potential conflict of interest, then that person must withdraw from the tendering process.
- 6.12.2. Those involved in making a decision must take care not to accept gifts or hospitality from potential suppliers that could compromise or be seen to compromise their independence.
- 6.12.3. Full records should be kept of all criteria used for evaluation of all contracts. For contracts over £50,000 a summary should be prepared for the Local Governing Body (Academy level) and F&FAC reporting to Trust Board (Trust level) highlighting the relevant issues and recommending a decision. It is normal practice within the Trust/Academy that contracts that will have a significant material impact regardless of whether they are over the appropriate thresholds are discussed at Trust Board/F&FAC and approval is gained before work is undertaken (e.g., irregular work, sets a precedent, key staffing, etc.).
- 6.12.4. Where required by the conditions attached to a specific grant from the DfE, the department's approval must be obtained before the acceptance of a tender.
- 6.12.5. The accepted tender should be the one that is economically most advantageous to the Academy. All parties should then be informed of the decision.

7. **Income:**

- 7.1. The main sources of income for the Academy are the grants from the ESFA. The receipt of these sums is monitored directly by the School Business Manager who is responsible for ensuring that all grants due to the Academy are collected.
- 7.2. The Academy also obtains income from:
 - 7.2.1. students, mainly for trips and lunches
 - 7.2.2. fundraising and other grant income
 - 7.2.3. the public, mainly for sports lettings and use of accommodation.
- 7.3. **Trips and School lunches**
 - 7.3.1. A trip organiser must be appointed for each trip to take responsibility for liaising with the School Business Manager regarding costs and organising the collection of sums due.
 - 7.3.2. Payments for school lunch are recorded individually by administrative staff. A record of the lunches paid for is kept electronically. All monies are checked and then passed to the School Business Manager or appointed delegate for paying in to the bank.
- 7.4. **Lettings**
 - 7.4.1. The School Business Manager is responsible for maintaining records of bookings of sports facilities and other accommodation and for identifying the sums due from each organisation. Payments must be made in advance for the use of facilities.
 - 7.4.2. No debts should be written off without the express approval of the Senior Leadership Team member and CIT finance team or Accounting Officer or F&FAC (the Trust & ESFA's prior approval is also required if debts to be written off are above the value set out in the annual funding letter or the value set in this Handbook). Refer to Annexes B and C.
 - 7.4.3. Organisations using the facilities of the Academy should be instructed to send all payments to the Academy Office.

8. **Cash Management:**

8.1. **Bank Accounts**

- 8.1.1. The opening of all Trust & Academy accounts must be authorised by the Accounting Officer who must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing

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arrangements. The operation of systems such as Bankers Automatic Clearing System (BACS) and other means of electronic transfer of funds must also be subject to the same level of control.

8.2. **Deposits**

8.2.1. Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book.

8.3. **Payments and withdrawals**

8.3.1. All cheques authorising withdrawal from Trust bank accounts must bear the signatures of two of signatories from any group A or B for up to £5,000 and either one from group A and one from group B or two from group B, for payments over £5,000 (see bank mandate for groups).

8.3.2. All BACS payments must have two signatories for up to £5,000 for a single supplier from the finance team and Site Leader/Head Teacher and one finance team member and Senior Leadership Team member/Head Teacher for over £5,000 for any single supplier.

8.3.3. This provision applies to all accounts, public or private, operated by or on behalf of the Local Governing Body of the Academy. Wherever possible, there should be a different signatory to payments than that of the authoriser of the purchase.

8.4. **Petty Cash Accounts**

8.4.1. The Academy is permitted to maintain a maximum cash balance of £50. Any higher cash amounts held should be in exceptional circumstances (e.g. float for school trips) and approved and detailed by the School Business Manager. Details should be justified and a clear rationale presented and approved by the CIT Finance team.

8.5. **Deposits**

8.5.1. The only deposits to petty cash should be from cheques cashed specifically for the purpose or cash receipts used to top up the float. All other cash receipts for whatever reason should be paid directly into the bank. The Academy does not permit the cashing of personal cheques in any circumstances.

8.6. **Administration**

8.6.1. The School Business Manager or appointed delegate is responsible for entering all transactions into the petty cash records on a regular basis.

8.7. **Physical Security**

8.7.1. The Academy Petty cash should be held in a locking cash box which is placed in the Academy safe overnight.

8.8. **Cash Flow Forecasts**

8.8.1. The Head of Finance and School Business Manager are responsible for preparing cash flow forecasts to ensure that the Trust/Academy has sufficient funds available to pay for day-to-day operations. Where cash flow forecasts predict a lack of available funds to service commitments, this should be notified to the Chief Operating Officer and Chief Executive Officer immediately.

8.9. **Debt Recovery**

8.9.1. As part of its management of public funds, the Trust will take all reasonable steps to ensure that all debts owed to it are collected. The purpose of this policy is to guide the Head Teacher and Finance function in recovering debts and ensuring that outstanding debts do not become bad debts.

8.9.2. To ensure the collection of debts, the Trust will keep a record of all services supplied, their value, the date and the name of the debtor, and ensure that any invoices raised state the date by which payment is due. It is expected that all invoices will be paid on time and in full. If this is not possible, debtors should contact the Head Teacher or School Business Manager to make alternative arrangements for payment.

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8.9.3. Each Academy within the Trust will actively pursue debtors for the collection of income owed to it. If a payment is overdue, the following actions will be taken:

- **Initial reminder** – An informal telephone reminder will be made when a payment is two weeks late.
- **First reminder letter** – This formal letter will be sent when a payment is 30 days overdue.
- **Second reminder letter** – This will be sent two weeks after the first reminder letter if no payment is received. This letter should be sent by recorded delivery.
- **Failure to respond after two reminders have been sent** – If no payment is received a letter will be sent to the debtor advising them that the matter may be placed in the hands of the school's solicitors.
- **Failure to respond after three reminders have been sent** – If no payment is received the school will consider placing the matter in the hands of its solicitors.

8.9.4. It is anticipated that debts will be settled promptly and in a single payment after the first reminder letter has been received. The debtor may be required to pay any additional costs incurred by the Trust as a result of collecting this debt. Interest may be charged from the due date at the Bank of England Base Rate + 2%.

8.9.5. The Senior Leadership Team member/Head Teacher and CIT Finance team are responsible for ensuring that the total value of outstanding debt is known at all times.

8.10. **Bad Debts**

8.10.1. Bad debts are only written off when the Academy has followed all possible procedures to ensure their recovery.

8.10.2. The academies financial handbook provides the following guidance regarding the writing off of debts and losses, including any uncollected fines:

8.10.2.1. 1% of the academy's total annual income or £45,000, whichever is smaller per single transaction, may be written off after the academy has taken all possible steps to recover the money. Grant income is based on the figure in the last set of audited accounts. Academies that have not yet produced audited accounts need to contact the Education & Skills Funding Agency (ESFA).

8.10.2.2. Cumulatively:

- For academies that have submitted timely, unqualified financial returns for the previous two financial years, 5% of total annual income in any one financial year per category of transactions may be written off.
- For academies that have not submitted timely, unqualified financial returns for the previous two financial years, 2.5% of total annual income in any one financial year per category of transaction may be written off.

8.10.2.3. The academy must seek and obtain the explicit and prior approval of the Education Secretary, through the ESFA, for transactions above these limits.

8.10.2.4. Records of debts that have been written off will be retained for six years plus the current year.

8.10.2.5. Any debtors that fail to settle a debt will be informed that in future they will be required to pay for any services in advance.

9. **Fixed Assets:**

9.1. **Asset Register**

9.1.1. All items purchased with a value over the academy's capitalisation limit must be entered in an asset register (This also includes group purchases totalling the academy's capitalisation limit).

9.1.2. Depreciation is calculated using the straight-line basis over its expected useful life as detailed in the operational procedures manual.

9.2. Security of assets

- 9.2.1. Stores and equipment must be secured by means of physical and other security devices. Only authorised staff may access the stores.
- 9.2.2. 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. Where greater than £1,000, reported to the Governing Body. 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.

9.3. Disposals

- 9.3.1. Items which are to be disposed of by sale or destruction must be authorised for disposal by Senior Leadership Team member/Head Teacher up to £5,000 and, where original cost >£10,000, by CIT Finance team and Finance/Financial Audit Committee. The Academy must seek the approval of the DfE (via CIT) in writing if it proposes to dispose of an asset for which capital grant in excess of £20,000 was paid.
- 9.3.2. Disposal of equipment to staff is not permitted, as it may be more difficult to evidence the Academy obtained value for money in any sale or scrapping of equipment.
- 9.3.3. The Academy is expected to reinvest the proceeds from all asset sales for which capital grant was paid in other Academy assets. If the sale proceeds are not reinvested, then the Academy must repay to the DfE a proportion of the sale proceeds.
- 9.3.4. All disposals of land must be agreed in advance with the Trust, Secretary of State and the Local Authority.

9.4. Loan of Assets

- 9.4.1. Items of Academy property must not be removed from Academy premises without the authority of the Head Teacher. A record of property loan must be recorded in a property loan book and booked back in at the Academy when it is returned. This does not apply to laptops which are used in the Academy and taken home on a daily basis.
- 9.4.2. 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. Property loans should therefore be kept under review and any potential benefits discussed with the Academy's auditors.

10. Reserves, Investment and Cash Flow:

10.1. Cash Flow and Investment

- 10.1.1. Adequate cash balances must be maintained in the current account to cover day to day working requirements. Regular short term and longer term cash flow reports are to be prepared and monitored to ensure there are adequate liquid funds to comply with bank current account requirements and to meet all short term and long term future cash commitments. Where the cash flow identifies a base level of cash funds that will be surplus to requirements these may be invested.
- 10.1.2. Any such investment requires approval of, and must be recorded in the minutes of, the F&FAC and the CIT Trust Board. When considering any proposed investment, due regard will be given to minimising risk of loss in capital value and protection against inflation.
- 10.1.3. All investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

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10.2. Reserves

- 10.2.1. Reserves are funds set aside in the form of cash, investments and other liquid assets for which, after the Trust has satisfied its obligations to all its stakeholders, statutory or otherwise, there is no currently perceived or foreseeable commitment, restriction or need. The resulting reserves are intended to provide a safeguard against unforeseen adverse circumstances or to position the Trust to take advantage of as yet unforeseen opportunities on behalf of its stakeholders. The CIT Trust will endeavour to build up an overall prudent level of reserves, such level to be decided from time to time by the Trust Board, as advised by the F&FAC.

11. **Risk Management:**

- 11.1. The CEO will present a risk register to the F&FAC for approval for any financial implications therein.
- 11.2. At a minimum the register will require significant risks faced by the Trust to be documented using a suitable risk map and matrix; in addition, the governing body will be required to consider all significant risks and mitigations at least once per academic year.

12. **Insurance:**

- 12.1. Insurance arrangements and levels of cover will be reviewed annually by CIT finance team for all academies, and arrangements will be made to ensure the academy's assets and activities are properly insured in accordance with good practice and ESFA requirements.

13. **Gifts, Hospitality and Confidentiality:**

- 13.1. Community Inclusive Trust is committed to the highest levels of integrity, openness and fairness in all of its business transactions. All employees, Trustees and Governors are expected to maintain the high standards of propriety and professionalism in all their dealings and to avoid any conflicts of interest.
 - 13.1.1. Governors and employees shall not use their authority or office for personal gain and shall seek to uphold and enhance the standing of the academy by maintaining an unimpeachable standard of honesty and integrity in all their business relationships.
 - 13.1.2. Any personal interest that may impinge or might reasonably be deemed by others to impinge on an employee's impartiality or conflict with the duty owed to the academy in any matter relevant to an employee's duties (such as conflicting business interests) should be declared in writing.
 - 13.1.3. Employees, Trustees and Governors should take extreme care to ensure that they are not open to accusations of bribery and corruption. CIT is committed to complying with the Bribery Act 2010 which makes it a criminal act to:
 - 13.1.3.1. Offer, promise or give a bribe
 - 13.1.3.2. Request, agree to or accept a bribe
 - 13.1.3.3. Fail to prevent bribery by those associated with an organisation who are trying to gain an advantage for that organisation.
 - 13.1.4. Non-compliance with this policy is a disciplinary offence and could lead to dismissal without notice.
 - 13.1.5. If there is any doubt about how to apply this policy, guidance should be sought from the Head of Finance, Chief Operations Officer or Chief Executive Officer.
- 13.2. **Scope**
 - 13.2.1. This policy applies to all individuals working in CIT Schools and to individuals working in CIT offices, as well as CIT members, Trustees and Governors. The policy applies to the receipt and offer of gifts, awards, hospitality and benefits.
 - 13.2.2. The underlying principles of the policy are as follows:

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- 13.2.2.1. Staff, Trustees and Governors should exercise extreme caution when accepting or giving gifts and hospitality whilst conducting CIT business. They should not use their position for the personal gain of themselves or others.
- 13.2.2.2. Under no circumstance should gifts, awards, hospitality and benefits be accepted where there is a risk that it might be seen as an attempt to influence a business decision, or where personal integrity may be compromised.
- 13.2.2.3. Gifts and hospitality of low value up to £50 can be accepted subject to certain conditions. Higher value gifts above £50 may be permitted subject to approvals, but must be recorded. Further details are outlined below.

13.3. **Gifts**

- 13.3.1. Gifts include items, services, prizes or other benefits which are received free of charge or are offered to the individual on terms which are not available to the general public. Example of gifts that should not be accepted are gifts of cash and gifts from a supplier immediately before or during a competitive tender exercise.
- 13.3.2. Gifts that are accepted on behalf of the Academy/CIT remain the property of the Academy/CIT. Gifts or items that are sent free of charge as part of a special offer when purchasing goods on behalf of the Academy/CIT belong to the Academy/CIT and must be used accordingly.
- 13.3.3. Employees are permitted to accept gifts, rewards or benefits from members or the public or organisations which the academy has official contacts only where they are isolated gifts of a trivial character, or inexpensive seasonal gifts (such as diaries or calendars). Gifts should not therefore be accepted if they appear to be disproportionately generous or could be construed as an inducement to affect a business decision. Staff must not accept gifts where there is any possibility that their professional integrity may be compromised.
- 13.3.4. It is common for students and their parents or carers to give gifts as a small token of appreciation or as a thank you to members of staff at certain times throughout the academic year. Staff may accept gifts from students and their parents or carers provided that they meet this definition.
- 13.3.5. All acceptances of gifts and acts of hospitality other than a nominal value (up to £50) must be noted in the academy's register of hospitality and gifts. Any member of staff receiving a gift with a value of greater than £50.00 should inform the Head of Finance who will then decide whether the gift can be accepted. If approved, it should then be recorded in the Gifts and Hospitality Register.
- 13.3.6. Staff should make the Senior Leadership Member / Chief Operating Officer / Chief Executive Officer aware of any student who is giving them gifts on a regular basis, or any student or parent or carer who expects something in return for a gift, as this would not be acceptable.
- 13.3.7. If not accepting a gift could be seen as causing offence, for example for cultural reasons, the item should be accepted. The matter should then be brought to the attention of the CIT Chief Operating Officer as soon as possible who may decide to return the gift, or may donate it to a charitable cause.
- 13.3.8. If there is any doubt as to the appropriateness of accepting a gift, the matter should be referred to the Chief Executive Officer or Chief Operating Officer for further guidance.
- 13.3.9. It is not CIT's standard practice to give gifts to individuals or organisations. If gifts are given, staff must ensure that the reasons for the decision are clearly recorded in the Gift and Hospitality Register.
- 13.3.10. This does not apply to the award of gifts and prizes related to the achievement of pupils.

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13.3.11. Long service awards given to staff will be awarded in line with the terms and conditions of their employment contract and HR policies. These must be approved by the Head Teacher/Senior Leadership Team member and entered in the Gifts and Hospitality register.

13.4. Hospitality

13.4.1. Hospitality includes food, drink, accommodation, entertainment or the opportunity to attend sporting or cultural events provided free of charge or on terms not available to the general public.

13.4.2. Conventional hospitality (lunches, outings, tickets for events, etc.) may be accepted provided that it is normal and reasonable in the circumstances. Such invitations should not therefore be accepted where there is no reasonable business justification for doing so, where an invitation is disproportionately generous, or where the invitation could be seen as an inducement to affect a business decision. Hospitality should not be accepted from a supplier immediately before or during a competitive tender exercise.

13.4.3. Where purchased items include a “free gift”, such gifts should be either used for Academy business or handed to the Academy to be used at charity raffles etc.

13.4.4. It is acceptable to provide and receive hospitality such as teas and coffees for staff and visitors. Modest working lunches for meetings for external business colleagues only is also acceptable. Lunches should not be provided for visiting staff for meetings unless prior approval has been given by the Central Finance team. These do not need to be recorded in the Gifts or Hospitality Register.

13.4.5. Acceptable examples of hospitality and entertainment include:

13.4.5.1. Hospitality or entertainment up to £50

13.4.5.2. Hospitality or entertainment above £50 which has been specifically authorised by Chief Executive Officer / Head of Finance and recorded in the Gifts & Hospitality Register

13.4.5.3. Lunches and refreshments in the course of the Trust’s business

13.4.5.4. Invitations to attend charity or fund-raising events as a guest, if considered to be for a good cause and of reciprocal benefit to the Trust.

13.4.6. Hospitality above these levels will require prior authorisation by the Senior Leadership Members / Chief Executive Officer / Head of Finance and must be recorded in the register.

13.5. Gifts and Hospitality Register

13.5.1. A Gifts and Hospitality Register must be maintained in each Academy and central CIT offices.

13.5.2. All acceptances of gifts and acts of hospitality other than a nominal value (up to £50) must be noted in the academy’s register of hospitality and gifts. The register must include for each gift or item of hospitality both received and declined, the date received or declined, a description, estimated monetary value, name of the donor and recipient, name of approver and date of approval, along with any supporting comments. Alongside the register, a record should also be kept of the authorisation given and reasons why (for example, a copy of the email confirmation).

13.5.3. The register must be available for inspection at any time by the School Business Manager, Head of Finance, Chief Operations Officer or Chief Executive Officer.

13.5.4. The register must be submitted to the Head of Finance at the end of each financial year for review and consolidation.

14. Confidential Reporting:

14.1. The Trust will maintain a confidential reporting policy, approved by the governing body, which will provide a basis on which employees can raise any concerns that they may have, and receive

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feedback on action taken and gives protection from reprisals or victimisation for ‘confidential reporting’ in good faith.

14.2. GDPR compliance by a separate GDPR policy.

15. Appendix 1 – Finance and Financial Audit Committee (F&FC) Terms of Reference:

15.1. In accordance with the Articles of Association, the Master Funding Agreement and the Academies Financial Handbook issued to the CIT by the DfE and the ESFA the Community Inclusive Trust Board has established a combined finance and audit committee – the Finance and Financial Audit Committee (F&FAC) - the members of which are appointed by the CIT Trust Board.

15.2. The duties delegated to the F&FAC, for ultimate approval by the Trust Board, include the following;

15.2.1. Monitoring and review of CIT's overall financial strategies,

15.2.2. Approval of Budget,

15.2.3. Monitoring and review of historic, current and projected levels of revenue and capital income and expenditure across CIT and performance against budgets,

15.2.4. Monitoring and review of the current and projected cash position,

15.2.5. Approval of income and expenditure contracts in accordance with the Academies Financial Handbook,

15.2.6. Ensuring that procurement procedures are being followed correctly,

15.2.7. Approval of all banking, funding and investment arrangements,

15.2.8. Advising on the financial implications of the acquisition and disposal of all assets including land and property, and proposals for the development of CIT's estate,

15.2.9. Monitoring the adequacy and effectiveness of the Academy's systems of internal financial control for ensuring operational economy, efficiency, effectiveness,

15.2.10. Advising on the appointment, re-appointment, dismissal, remuneration, scope & programme of work and reports of both the internal audit service and the statutory (external) auditor,

15.2.11. Approval of the annual financial statements,

15.2.12. Monitoring and advising on any alleged fraud and irregularity in the Academy's financial and other control systems and ensuring that all allegations of fraud and irregularity are properly followed up,

15.2.13. Advising on changes in financial regulations.

15.3. Composition of the committee

15.3.1. The Academies Financial Handbook 2018, as issued by the ESFA, states in para 2.9.3 that where a trust operates a combined finance and audit committee, as in the case of CIT, employees may be members but should not participate as members when audit matters are discussed; they may remain in attendance to provide information and participate in discussions.

15.3.2. There are two categories of membership of the F&FAC, both of which are suitably authorised and appointed by the CIT Trust Board;

15.3.2.1. Full Members - non-employees who are also Trustee Directors of the CIT Trust Board, and who may vote on all matters discussed or brought before the F&FAC.

15.3.2.2. Associate Members - who may not vote on audit matters (nor on any other matters if so decided by a majority of the F&FAC Full Members present, and may also be asked to withdraw from the meeting in such circumstances) but are nevertheless permanent members of the F&FAC who may attend as and when other commitments allow. They include the Chair of the CIT Trust Board, the CIT CEO and the CIT CFO.

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- 15.3.3. In addition to the above, the F&FAC may from time to time invite other attendees, employees and non-employees, to any meeting to provide information and participate in discussions for all or part of the meeting;
 - 15.3.3.1. The F&FAC shall have as many Members as is determined from time to time and suitably authorised by the CIT Trust Board,
 - 15.3.3.2. Attendance at a meeting of at least three Full Members constitutes a quorum,
 - 15.3.3.3. The Chair of any F&FAC meeting shall be appointed by a majority vote of the Full Members in attendance at the meeting,
 - 15.3.3.4. A vote of the Chair ranks pari-passu with those of any other Full Member present,
 - 15.3.3.5. Appointments to the committee shall be for a period of up to four years, which may be extended for further periods of up to four years, provided that criteria for membership is still met,
 - 15.3.3.6. F&FAC meetings shall be attended by the Clerk to the Board of Trustees, who shall take minutes of the discussions.

15.4. Frequency of Meetings

- 15.4.1. Meetings shall be held at least three times per year and on the basis of a pre-determined timetable agreed by the F&FAC in meeting. Additional meetings may be held in order to meet urgent business requirements, upon notification to the Clerk to the Board of Trustees or to the F&FAC Chair of any Full or Associate Member supported by at least 2 other Full or Associate Members.

15.5. Agendas and Notices of Meetings

- 15.5.1. Agendas shall be prepared by the Clerk to the Board of Trustees and approved by the F&FAC Chair prior to issue. Agendas will always contain items such as apologies, determination of quoracy, declarations of interest, approval of the previous minutes and matters arising from the previous minutes. Inclusion of any other item may be requested by any Full or Associate Member, such inclusion being at the discretion of the F&FAC Chair.
- 15.5.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each Full and Associate Member of the F&FAC and to the Chair of the CIT Trust Board, no later than five working days before the meeting.

15.6. Minutes Of Meetings

- 15.6.1. The Clerk to the Board of Trustees shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance, and prepare minutes for distribution.
- 15.6.2. Minutes shall be approved and signed by the F&FAC Chair prior to distribution, and the F&FAC Chair will determine the distribution, which will always be to all Full Members and to the Chair of the CIT Trust Board (whether present at the meeting or not), will normally be to all Associate Members and may be to others present (in full or in part), depending on interests in matters discussed and requirements to ensure appropriate confidentiality.
- 15.6.3. Minutes should be completed, approved and distributed within three weeks of the meeting.
- 15.6.4. The minutes of meetings of the F&FAC shall be considered at the next CIT Trust Board meeting following distribution. Where a CIT Trust Board meeting is scheduled to follow within three weeks of the F&FAC meeting, the F&FAC Chair shall ensure that the CIT Trust Board Chair is aware any matters discussed which should be brought to the attention of the Trust Board.

16. Extract from ESFA Academies Financial Handbook 2017:

Annex B: Schedule of freedoms and delegations

This annex is not a substitute for the full handbook. Trusts' delegated authorities are subject to the conditions in section 3.11. Trusts under a [financial notice to improve](#) will have their delegated authorities revoked under section 1.5.9.

Novel, contentious and repercussive	Novel, contentious and repercussive transactions	ESFA agreement required [3.3]
Borrowing	Bank or sponsor loan, overdraft	ESFA agreement required [3.4]
	Credit cards (for business, not personal use)	Trust has full discretion provided charges are not incurred [3.4]
Leasing	Taking up a finance lease	ESFA agreement required [3.9.3]
	Taking up a leasehold on land and buildings	ESFA agreement if lease term seven years or more [3.9.3]
	Taking up any other lease	Trust has full discretion [3.9.2]
	Granting a lease on land and buildings	ESFA agreement required [3.9.3]
Write-offs and liabilities (Subject to £250,000 ceiling)	Writing-off debts and losses	ESFA consent required if transactions: <ul style="list-style-type: none"> ▪ exceed 1% of annual income or £45,000 individually; or ▪ 2.5% or 5% of annual income cumulatively [see 3.6 for detail]
	Entering into guarantees, indemnities or letters of comfort	
Special payments	Staff severance	ESFA agreement required if payment £50,000 or more before tax [3.7.6 and 3.7.10]
	Compensation	
	Ex gratia payments	ESFA agreement required [3.7.15]
Acquisition and disposal of fixed assets	Acquiring a freehold on land and buildings	ESFA agreement required [3.8.1]
	Disposing of a freehold on land and buildings	ESFA agreement required [3.8.1]
	Disposing of heritage assets	ESFA agreement required [3.8.1]
	Disposal - not land, buildings or heritage	Trust has full discretion [3.8.2]

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GAG	Pooling by multi-academy trusts	No limits (except PFI) if trust eligible [3.10.5]
	GAG carry forward	No limits if trust eligible [3.10.2]

Annex C: Schedule of requirements (the ‘musts’)

This annex, which is not a substitute for the full handbook, brings the requirements discussed throughout the handbook together in one list: the ‘**musts**’. Academy trusts also need to have regard to the definition of ‘should’.

Governance and financial oversight

Must have the skills, knowledge and experience to run the academy trust.

- Must fully understand **duties as company directors and charity trustees**, must be aware of Charity Commission guidance CC3: The Essential Trustee: What you Need to know, what you need to do and must not have **de facto trustees** [page 7, 1.5.12, 1.5.13 and 3.1.12]
- Must adhere to the **seven principals of public life** (1.1.2)
- Must arrange for annual **letters to trusts’ accounting officers** from ESFA’s accounting officer about the accountability framework to be discussed by the board of trustees and action taken where appropriate to strengthen the trust’s systems (1.5.5)
- Must appoint a senior executive leader (**principal or chief executive**), in writing, who may act as an ex-officio trustee. The role must not rotate. [2.1.2]
- Must designate, in writing, a named individual as the academy trust’s **accounting officer** (the senior executive leader - principal or chief executive) who must:
 - be a **fit and suitable** person for the role
 - take personal responsibility for **regularity, propriety and value for money**
 - assure the board of trustees** that there is compliance with the handbook, the funding agreement and all relevant aspects of company and charitable law
 - advise the board of trustees**, in writing, of any action or policy incompatible with the terms of the academy trust’s articles, funding agreement or handbook
 - notify ESFA’s accounting officer**, in writing, if action proposed by the board of trustees is in **breach** of the trust’s articles, funding agreement or this handbook
 - adhere to the ‘seven principles of public life’** [1.5.21 to 1.5.25, 2.1.8, 4.2.2 and 4.2.3]
- Must ensure the board of trustees **meets at least three times a year**, and conducts business only when quorate [2.1.3]
- Must have a **chief financial officer**, who is the finance director, business manager or equivalent, to lead the finance department [2.1.10]
- Must have appropriately qualified and/or experienced **finance staff** [2.1.11]
- Must approve a written **scheme of delegation** of financial powers that maintains robust internal control arrangements [2.1.4]

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- Must take full control of the academy trust's financial affairs, apply the letter and the spirit of this handbook, and ensure **appropriate oversight** of financial transactions by:
 - having all the trust's **property** and assets under the control of trustees, and measures in place to prevent losses or misuse
 - having bank accounts, financial systems and financial records operated by **more than one person**
 - keeping and maintaining full and accurate **accounting records**
 - preparing **accruals accounts**, giving a true and fair view of the trust's use of resources, in accordance with existing accounting standards [1.4.1, 1.4.3 and 2.1.8]
- Must comply with all terms of any **Financial Notice to Improve** [1.5.7]
- Must **waive the right to delegated authorities** and seek ESFA prior approval on those transactions set out in this handbook if the academy trust is subject to a Financial Notice to Improve [1.5.9]
- Must ensure **value for money, regularity and propriety** in relation to the management of its funds, using its discretion reasonably to command broad public support [1.5.13 and 1.5.22]
- Must provide details of the academy trust's **governance arrangements** in the governance statement published with its audited accounts [1.5.17]
- Must provide details of the board of trustees' review of their **governance structure and composition of the board**, in the academy trust's governance statement when producing audited accounts for the **first time** [1.5.17]
- Must publish up-to-date details of their **governance arrangements** in a **readily accessible form** on their websites in line with this handbook [2.5.2]
- Must ensure there are measures in place to **manage conflicts of interest** [3.1.12]
- Must ensure the chair of the board of trustees and the accounting officer manage their relationships with connected parties to **avoid both real and perceived conflicts of interest** [3.1.13]
- Must recognise that **certain transactions** with connected parties may attract **greater public scrutiny** and require sufficient disclosure in annual accounts to support the high standards of **accountability and transparency** of the public sector, including:
 - transactions with individuals in a position of **control and influence**, including the chair of the board of trustees and accounting officer
 - payments to commercial organisations which have a **profit motive**, as opposed to those in the voluntary sector
 - relationships with **external auditors** that go beyond their duty to deliver a statutory audit [3.1.14]
- Must capture, in the academy trust's **register of interests**, and as set out in this handbook:
 - relevant business and pecuniary interests of **members, trustees, local governors** of academies within a multi-academy trust, and **senior employees** [3.1.17]
 - interests of other individuals as set out in 3.1.18
- Must **publish**, on the academy trust's website, the **relevant business and pecuniary interests** of trustees, members and local governors [3.1.20]
- Must ensure that the use of **confidentiality clauses** does not prevent an individual's right to make **disclosures in the public interest** [3.1.24]

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- Must complete, and return to ESFA, a **financial management and governance self-assessment** for new academy trusts, or constituent academies joining a multi-academy trust [4.3.1]
- Must notify ESFA of any instances of **fraud or theft** where the value exceeds £5,000, individually or cumulatively, or of any value where the fraud is unusual or systematic [4.8.2]
- Must notify DfE via Edubase within 14 days of the **appointment or vacating** of the positions of member, trustee, local governor, chair of trustees, chair of local governing bodies, accounting officer and chief financial officer, and ensure that its record on Edubase for all individuals holding these positions remains up to date. [4.7.4]

Financial planning, monitoring and reporting

Must prepare and monitor financial plans to ensure ongoing financial health.

- Must have the full board of trustees approve a **balanced budget** for the financial year and must minute their approval [2.2.2]
- Must submit the **budget forecast** to ESFA [2.2.3]
- Must ensure the board of trustees and any separate Finance and Financial Audit Committee are responsible for:
 - ensuring good **financial management** and effective internal controls
 - compliance** with the funding agreement and this handbook
 - ensuring sufficient rigour and scrutiny in the budget management process to **understand and address variances** between the budget forecast and actual income and expenditure
 - receiving and considering information on the **financial performance** of the trust at least three times a year, taking action to ensure ongoing viability [2.2.4]
- Must notify ESFA if the board of trustees formally proposes to set a **deficit revenue budget** for the current financial year which it is unable to address, after unspent funds from previous years are taken into account [2.2.5]
- Must have a cautious approach to investments in line with the principles set out in this handbook [2.2.9]
- Must charge for **boarding provision** in line with this handbook [2.2.12]
- Must refer any **novel and/or contentious and/or repercussive transaction** to ESFA for explicit prior authorisation [3.3.1, 2.2.10, 3.1.15 and 3.8.3]
- Must obtain ESFA's prior approval before **borrowing**, including finance leases and overdraft facilities, of any duration [3.4.1, 2.2.7 and 3.9.3]
- Must obtain ESFA's prior approval for **writing off debts and losses**, and entering into **guarantees, letters of comfort and indemnities** beyond limits specified in this handbook [3.6.1 to 3.6.4]
- Must, in respect of **staff severance payments**, consider the following before making a binding commitment:
 - whether the proposed payment to be in the **interests of the trust**;
 - whether a payment is **justified and value for money**, based on a legal assessment of the case; and

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- review the **level of settlement**, which must be less than the legal assessment of what the relevant body (e.g. an employment tribunal) is likely to award in the circumstances [3.7.4]
- Must obtain ESFA's prior approval for the **non-contractual/non-statutory element** of a **staff severance payment**, or **compensation payment**, of **£50,000** or more (gross, before deductions) before making a binding settlement offer [3.7.6]
- Must** not accept a settlement for a staff severance payment unless it satisfies the conditions in this handbook [3.7.7]
- Must consider, when making a **compensation payment**, whether the proposed payment is based on a careful appraisal of the facts, including legal advice, and that value for money will be achieved [3.7.9]
- Must obtain ESFA's prior approval for a **non-contractual/non-statutory compensation payment of £50,000** or more [3.7.10]
- Must obtain ESFA's prior approval for **ex-gratia payments** of any value [3.7.15]
- Must obtain ESFA's prior approval, before entering into the **acquisition and disposal of fixed assets** beyond limits specified by the handbook [3.8.1]
- Must ensure a **lease arrangement**, or **disposal**, achieves the **best price** that can reasonably be obtained, and maintains the principles of regularity, propriety and value for money [3.8.2 and 3.9.4]
- Must obtain ESFA's prior approval before entering into **lease arrangements** beyond limits specified in this handbook [3.9.3]

Internal control and internal scrutiny

Must have in place sound internal control and risk management and assurance processes.

- Must establish a **control framework** that recognises **public expectations** about governance, standards and openness [2.3.2]
- Must include, in the trust's **internal control framework**:
 - co-ordinating the **planning and budgeting processes**
 - applying discipline in financial management, including managing **banking, debt and cash flow**, with appropriate segregation of duties
 - preparation of monthly **budget monitoring** reports
 - ensuring that **delegated financial authorities** are respected
 - selection, **planning and oversight** of any **capital projects**
 - the **propriety and regularity** of financial transactions
 - the management and oversight of **assets**
 - ensuring **efficiency and value for money** in the organisation's activities
 - a process for **independent checking** of financial controls, systems, transactions and risks [2.3.3]
- Must ensure that decisions about levels of **executive pay** follow a robust evidence-based process and are reflective of the individual's role and responsibilities [2.3.5]

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- Must have appropriate procedures in place for **whistleblowing** [2.3.7]
- Must recognise and manage **present and future risks**, including contingency and business continuity planning, to ensure the academy trust's **continued and effective operation** [2.3.9 and 2.3.10]
- Must have adequate **insurance** cover in compliance with its legal obligations and funding agreement, or has opted into DfE's risk protection arrangements [2.3.12]
- Must implement reasonable risk management audit recommendations made to the trust by risk auditors [2.3.14]
- Must establish an **audit committee**, or a committee which fulfils the functions of an audit committee, dependent on the risk, complexity and annual income of the trust [2.4.2]
- Must have the relevant committee provide **assurances to the board of trustees** by **reviewing the risks** to internal financial control at the academy trust and agreeing a programme of work to address those risks [2.4.4]
- Must oversee the controls and risks at **constituent academies** [2.4.5]
- Must ensure that **information submitted** to DfE and ESFA that affects funding is accurate and compliant [2.4.6]
- Must be aware of the risk of **fraud, theft and irregularity** and address it through their internal control and assurance arrangements by putting in place proportionate controls [4.8.1 and 2.3.3]

Proper and regular use of funds

Must be able to show that public funds have been used as intended by Parliament.

- Must ensure the following principles are applied:
 - seeking ESFA's prior approval on all proposed transactions **beyond the trust's delegated authority** limits
 - spending has been for the **purpose intended** and there is **probity** in the use of public funds
 - spending decisions represent **value for money**
 - internal delegation levels** exist and are applied within the trust
 - a **competitive tendering policy** is in place and applied, and OJEU procurement thresholds are observed
 - relevant **professional advice** is obtained where appropriate, including that of an external auditor where necessary [3.1.1 and 3.1.3]
- Must be even-handed in relationships with **connected parties**, and ensure goods or services provided by individuals or organisations connected to the trust are provided at **no more than cost** beyond the limits specified in this handbook [3.1.12 and 3.2.2 to 3.2.17]
- Must ensure that no member, trustee, local governor, employee or related individual or organisation uses their connection to the academy trust for **personal gain** [3.1.12]
- Must ensure there are **no payments to any trustee** unless such payment is permitted by the articles and complies with the terms of any relevant agreement with the Secretary of State [3.1.12]
- Must obtain the Charity Commission's prior approval for **paying a trustee for acting as a trustee** [3.1.12]

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- Must ensure that senior employees' **payroll arrangements** fully meet HM Treasury's tax requirements [3.1.22]
- Must ensure any **gifts given** by the academy trust have the reason fully documented and have regard to propriety and regularity in the use of public funds [3.5.1]
- Must not **pool PFI** funding across a multi-academy trust [3.10.5]
- Must have due regard to the funding needs of their individual academies if multi-academy trusts **pool GAG**, and to the appeals mechanism in place [3.10.6]
- Must ensure the academy trust is eligible for the **delegations and freedoms** set out in this handbook by virtue of its funding agreement [3.11.1 to 3.11.5]

Audit requirements

Must be able to assure Parliament and the public that public funds have been used for the purposes intended.

Must **produce audited accounts** in line with the 'Statement of Recommended Practice' (SORP) for charities [1.4.2, 1.4.3, 2.2.14 and 4.1.1]

- Must **submit audited accounts** to ESFA by 31 December [1.4.2]
- Must **publish audited accounts** on the trust's website by the **end of January** following the financial year to which the accounts relate, file their accounts with Companies House and provide a copy to anyone who requests them [1.4.5]
- Must approve a set of **accounting policies** [2.2.14]
- Must **appoint a statutory (external) auditor** to certify whether the accounts are true and fair [2.2.14 and 4.1.1]
- Must put the **external audit contract** in writing as a letter of engagement [4.1.2]
- Must put **additionally purchased financial services** from the external auditor in a separate letter of engagement [4.1.2]
- Must provide in the audit contract for the **removal of external auditors** before the expiry of the term as set out in this handbook [4.1.4]
- Must notify ESFA immediately of the **removal or resignation of external auditors**, and the reasons [4.1.5]
- Must prepare information, at the request of ESFA, to **facilitate financial consolidation** [4.1.7]
- Must make **financial disclosures** in their audited financial statements in line with this handbook [3.1.8 and 3.1.9]
- Must demonstrate how the trust has secured **value for money** via the governance statement in the annual accounts [1.5.23]
- Must include a **statement on regularity, propriety and compliance**, signed by the academy trust's accounting officer, in the audited accounts [1.5.23 and 4.2.2]
- Must include a **review of the accounting officer's statement on regularity, propriety and compliance** within the external auditor's remit [4.2.5]

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- Must address, jointly to the trust and the Secretary of State through ESFA, the **auditor's conclusions on regularity** [4.2.5]
- Must cooperate with **NAO officials** and their contractors and provide such help, information and explanation as is reasonable and necessary [4.5.1]
- Must provide ESFA with **access** to all books, records, information, explanations, assets and premises to assist ESFA with its audits [4.6.1]
- Must **retain all records** necessary for at least six years after the end of the period to which funding relates [4.6.2]
- Must provide ESFA or its agents with **information** of sufficient quality to meet the purposes for which it has been requested [4.7.1]

17. Amendments to the Document:

Amended Existing Financial Management Policy Last Approved by FC on 09-Feb-17 Minute No. 71/75.

Written by: Michelle Allbones, Head of Finance

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