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Signed by:

Chair of Trust

Contents

Introduction.....	3
Part 1: Roles and responsibilities	3
Members	4
Trustees	4
Accounting Officer	7
Chief Financial Officer.....	8
The governance professional (clerk to the board)	8
Disclosure and Barring Service checks	9
Part 2: Main financial requirements.....	9
Financial oversight.....	9
Basic control principles.....	10
Financial planning	10
Procurement and Spending Decisions.....	12
Income generation	13
Risk management	13
Whistleblowing.....	14
Provision of information.....	14
Part 3: Internal scrutiny.....	15
Delivering internal scrutiny	16
Part 4: Annual accounts and external audit	17
External auditors	18
Review of regularity.....	18
External audit oversight and findings – the audit and risk committee	19
Part 5: Delegated authorities	19

Requirement to obtain ESFA approval	19
Novel, contentious and repercussive transactions	20
Special payments.....	20
Write-offs and entering into liabilities	21
Acquisition and disposal of fixed assets	22
Leasing.....	22
Managing General Annual Grant (GAG)	23
Gifts	23
Borrowing	23
Related party transactions	24
Principles applying to related party relationships.....	24
Applicability of delegations and freedoms.....	27
Part 6: The regulator and intervention.....	28
ESFA oversight	28
Access rights	28
Financial management and governance self-assessment.....	29
Funding audit.....	29
Fraud, theft, irregularity and Cybercrime.....	29
ESFA intervention powers	30
Secretary of State directions	31
ESFA work with the Charity Commission	31
ESFA work with the Insolvency Service	31
ESFA approach to academy resource management.....	31
National Audit Office and Public Accounts Committee.....	32
Part 7: Standard Internal Control	32
Budgeting processes.....	32
Management Accounts	32
Finance System.....	32
Segregation of duties.....	33
Payroll.....	33
Staff Appointments	33
Payroll Administration and Payment	33
Bank Accounts	33
Deposits to bank accounts	33
Payments and withdrawals	34

Charge cards	34
Petty Cash	Error! Bookmark not defined.
Administration	34
Purchasing	34
Authorisation limits for purchases of goods and services	34
Routine Purchases	34
Internet Purchases	34
Expenses paid to staff	34
Purchases over £1000	35
Purchases over £25,000	35
Income.....	35
Custody of Income	36
Assets.....	36
Capitalisation of Assets in the accounts	36
Asset Register	36
Asset Disposal	36
Business Continuity plan	36
Reserves.....	37

Introduction

The Endeavour Schools Trust finance policy and procedures follows and is underpinned by the guidelines in the Academy Trust Handbook 2024 issued by the Educational Funding Agency (ESFA) and effective from 1 September 2024. The purpose of the policy is to ensure that the Trust maintain and develop systems of financial control which conform to the principles set by the ESFA.

The Academy Trust must:

- take full control of their financial affairs.
- produce audited accounts which are submitted to the ESFA by 31st December each year.
- maintain accounting records and provide publicly accessible accounts in line with the Statement of Recommended Practice (SORP) for charities.
- file their accounts with Companies House for public access and provide a copy to anyone who requests them
- publish the annual accounts on their website no later than the end of January following the financial year to which the accounts relate.

Part 1: Roles and responsibilities

The duties of key people responsible for running academy trusts.

1.1 Trustees and management 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.

Members

1.2 Every trust has members who have a similar role to shareholders of a company limited by shares. Member powers are set out in the Trust's Articles Of Association.

1.3 The academy trust must have at least three members, but should have five or more.

1.4 Trust's must ensure that their members are not currently subject to a direction made under section 128 of the Education and Skills Act 2008 which prohibits individuals from taking part in academy trust management, and that they do not appoint as a member, a person who is currently subject to a section 128 direction.

1.5 Members must not be employees of the trust, nor occupy staff establishment roles on an unpaid voluntary basis.

1.6 The majority of members should not also be trustees.

It is important for members to be kept informed by trustees about trust business so they can be assured that the board is exercising effective governance and use their powers to step in if governance is failing. This must include providing the members with the trust's audited annual report and accounts as stated in paragraph 4.4.

Trustees

1.8 The trustees of the academy trust are both charity trustees and company directors. The handbook refers to them as trustees. However, in some academy trusts, such as church academies, those on the board are known instead as 'directors'. In church academies, the term 'trustees' is reserved for those on the board of the separate trust owning the land.

1.9 All trusts should have reserved places for parents, carers or other individuals with parental responsibilities in their governance structure; trusts should hold elections to fill these places, as appropriate.

- Single academy trusts should have at least two such places on the board.
- Trusts with multiple academies should have at least two such places on the board or at least two such places on each local governing body where the trust has established them.

Board purpose

1.10 The academy trust is the legal entity with the board having collective accountability and responsibility for the academy trust and assuring itself that there is compliance with regulatory, contractual, and statutory requirements.

The academy trust board provides:

- Strategic leadership of the academy trust: the board defines the trust vision for high quality and inclusive education in line with its charitable objects. It establishes and fosters the trust's culture and sets and champions the trust strategy including determining what, if any, governance functions are delegated to the local tier
- Accountability and assurance: the board has robust effective oversight of the operations and performance of the academy trust, including the provision of education, pupil welfare, overseeing and ensuring appropriate use of funding and effective financial performance and keeping their estate safe and well-maintained
- Engagement: the board has strategic oversight of relationships with stakeholders. The board involves parents, schools and communities so that decision-making is supported by meaningful engagement.

1.11 The trustees **must** apply the highest standards of conduct and ensure robust governance, as these are critical for effective financial management. Trusts should consider the features of high quality governance as described in the trust quality descriptions.

1.12 The trustees must comply with the trust's charitable objects, with company and charity law, and with their contractual obligations under the funding agreement. Company directors' duties are described in sections 170 to 181 of the Companies Act 2006. Charity trustees' duties are described in the Charity Commission's The essential trustee guidance.

1.13 As an organisation, the trust has a range of responsibilities under current legislation and statutory guidance. Trusts' responsibilities include such matters as safeguarding, health and safety and estates management. Ensuring strong governance in these areas will be a key priority for the board.

Safeguarding

1.14 Academy trust boards have a duty to:

- safeguard and promote the welfare of children
- have regard to any statutory guidance on safeguarding issued by the Secretary of State
- ensure the suitability of staff, supply staff, volunteers, contractors and proprietors.

1.15 When carrying out the Prevent duty as required under section 26 of the Counter Terrorism and Security Act, trusts are required to follow the Home Office's 'Revised Prevent duty guidance: for England and Wales' and the DfE's general advice 'Protecting children from radicalisation: the prevent duty'.

Digital and Technology Standards

1.16 Trusts should refer to the DfE's digital and technology standards, which were developed to support trusts in making more informed decisions about technology.

Health and Safety

1.17 The main legislation covering this area is the Health and Safety at Work etc. Act 1974 and its regulations. Under the Act the academy trust, as an employer, is responsible for the health and safety of its staff, pupils, and any visitors.

1.18 Trust boards should follow the Department's 'Health and Safety: responsibilities and duties for schools' as well as 'Health and Safety Executive (HSE) guidance for Education'.

1.19 Academy trusts have a duty to manage asbestos in their schools effectively, compliant with the Control of Asbestos Regulations 2012.

Estates Management

1.20 An academy trust's estate is both an asset and a mechanism to deliver outcomes for pupils. The DfE expects academy trusts to manage their school estate strategically and effectively and maintain their estate in a safe working condition.

This includes complying with statutory duties to ensure the health and safety of building occupants.

Trusts should ensure they are aware of and are applying the following guidance relevant to estates safety and management:

- advice, standards and tools for academy trusts at Good Estate Management for Schools, including guidance on an estates strategy and asset management plan, and the Estate management competency framework for standards on the skills and knowledge needed for individuals at all levels.
- the Condition Data Collection (CDC) process which helps DfE understand the condition of government funded schools across England for the purposes of targeting funding where it is needed most.
- Reinforced Autoclaved Aerated Concrete (RAAC) guidance. RAAC is a weaker form of concrete used in floors, walls, and roofs of buildings constructed or modified between the 1950s and mid-1990s and could pose a particular risk.
- School Capital Funding guidance, who it's for, current and past allocations, how it's calculated and spending guidance.
- Condition Improvement Fund including links to terms and conditions.

Further information and guidance is available from The Trust Network, which is run by trusts for trusts to help its members develop effective, efficient, and economically sustainable estates and safety management.

1.21 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 trustees must also take ownership of the trust's financial sustainability and its ability to operate as a going concern.

1.22 The chair is responsible for ensuring the effective functioning of the board and has a vital role in setting the highest expectations for professional standards of governance and accountability for the board.

1.23 Any newly appointed senior executive leader can only be a trustee, if the members decide to appoint them as such, the senior executive leader agrees and the trust's articles permit it. No other employees should serve as trustees, nor should trustees occupy staff establishment roles on an unpaid voluntary basis.

1.24 The board may delegate functions to other committees in accordance with their governance structure. Each committee (other than those in a trust with multiple academies constituted as a local governing body) must contain a majority of trustees, but it may also include other people the board chooses to appoint.

1.25 Academy trusts must not have de facto trustees (defined in appendix 1 of the Charities SORP) or shadow directors (defined in section 251(1) of the Companies Act 2006).

Skills and experience

1.26 The board should identify the skills and experience it needs, including sufficient financial knowledge to hold the executive to account. The board should also address this for committees/local committees/local governing bodies.

1.27 New trusts in their first year **must**, and established trusts should, include in their governance statement, an assessment of their governance structure, including a review of the board's composition in terms of skills, effectiveness, leadership and impact.

Accounting Officer

1.28 The board of trustees must appoint, in writing, a senior executive leader, who may be appointed as a trustee. In single academy trusts this should be the principal. In trusts with multiple academies, it should be the chief executive or equivalent.

1.29 The board must also appoint, in writing, a named individual as its accounting officer. This should be the senior executive leader. The individual must be a fit and suitable person for the role. The roles of senior executive leader and accounting officer must not rotate. The roles of accounting officer and chief financial officer should not be occupied by the same individual. The accounting officer should be employed by the trust. The trust must obtain prior ESFA approval, if it is proposing, in exceptional circumstances, to appoint an accounting officer who will not be an employee.

1.30 When the senior executive leader is planning to leave the trust (for example retirement or resignation), the board of trustees should approach their Regional Director in advance to discuss their structure and options, including plans for recruitment.

1.31 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.

1.32 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.

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

1.34 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's annual statement

1.35 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's duty to raise concerns

1.36 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.

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

1.38 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.

Chief Financial Officer

1.39 The board must appoint a chief financial officer (CFO) to whom responsibility for the trust's detailed financial procedures is delegated. The CFO should play both a technical and leadership role. The CFO should be employed by the trust, and the trust must obtain prior ESFA approval, if it is proposing, in exceptional circumstances, to appoint a CFO who will not be an employee.

1.40 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. ESFA encourages larger trusts (for example over 3,000 pupils) to consider the range of accountancy qualifications available from professional bodies such as the ICAEW, ACCA, CIMA or CIPFA (including CIPFA qualifications developed in partnership with ISBL), and take this into account when filling CFO vacancies.

1.41 CFOs and other key financial staff should maintain continuing professional development and undertake relevant ongoing training

The governance professional (clerk to the board)

1.42 The academy trust must appoint a governance professional to support the board of trustees, who is someone other than a trustee, principal or chief executive of the trust.

1.43 The trust must be transparent with its governance arrangements.

1.44 The trust **must** provide details of its governance arrangements in the governance statement published with its annual accounts, including what the board has delegated to committees and, in trusts with multiple academies, to local committees/governing bodies.

Register of Interest

1.45 The trust **must** keep a register of any relevant business and financial interests, including governance roles in other educational institutions, for (as a minimum) members, trustees, local governors and senior employees, serving at any point over the past 12 months.

1.46 The register **must** include their full names, date of appointment, term of office, date they stepped down (where applicable), who appointed them and relevant business and financial interests including:

- directorships, partnerships and employments with businesses
- trusteeships and governorships at other educational institutions and charities
- for each interest: the name and nature of the business, the nature of the interest and the date the interest began.

1.47 The register **must** identify relevant interests from close family relationships between the academy trust's members, trustees or local governors. It must also identify relevant interests arising from close family relationships between those individuals and employees.

1.48 Trusts should consider whether other interests should be registered, and if in doubt should do so. Boards of trustees **must** keep their register of interests up-to-date at all times.

Trust Websites

1.49 The trust **must** also publish on its website up-to-date details of its governance arrangements in a readily accessible format, including:

- the structure and remit of the trust's members, board of trustees, committees and local committees/governing bodies (the trust's scheme of delegation for governance functions), and the full names of the chair of each
- register of business and financial interests for members, trustees, local governors and accounting officers, including a nil return where appropriate
- for each trustee, their attendance records at board and committee meetings over the last academic year
- for each local governor, their attendance records at local governing body meetings over the last academic year.

1.50 The trust **must** make available on request for public inspection:

- the agenda for every meeting of the trustees, local committees/governing bodies and committees
- the approved minutes of each meeting
- any report, document or other paper considered at each meeting.

1.51 The trust may exclude from any item any material relating to:

- a named teacher or other employee or proposed employee
- a named pupil or student at the academy, or candidate for admission or referral to it
- any matter which, by reason of its nature, the trustees are satisfied should remain confidential.

Disclosure and Barring Service checks

1.52 Academy trusts must obtain enhanced DBS certificates for staff and supply staff as set out in the Independent School Standards and their funding agreements. Academy trust members, trustees, and committee members (including local committees/governing bodies) must also have an enhanced DBS certificate, which does not include a barred list check (unless they also engage in regulated activity).

Part 2: Main financial requirements

Financial oversight

2.1 Trustees and management must maintain robust oversight of the academy trust.

2.2 The trust must take full responsibility for its financial affairs, stewardship of assets and use resources efficiently to maximise outcomes for pupils.

Board Meetings

2.3 Board meetings must take place at least three times a year, although trusts should consider meeting more frequently to discharge their responsibilities.

Scheme of delegation

2.4 The board cannot delegate overall responsibility for the academy trust's funds. However, it must approve a written scheme of delegation of financial powers that maintains robust internal controls. The scheme of delegation

should be reviewed annually, and at the next available board meeting when there has been a change in trust management or organisational structure that would impact the effectiveness of any existing scheme of delegation.

2.5 The academy trust should have a finance committee to which the board delegates financial scrutiny and oversight, and which can support the board in maintaining the trust as a going concern.

Basic control principles

2.6 The academy trust must have sound internal control, risk management and assurance processes. This should follow a tiered approach comprising:

- clearly communicated procedures, structures and training of staff
- appropriate day to day supervision and checks by management
- internal scrutiny overseen by an audit and risk committee
- external audit and assurance.

2.7 The control framework must:

- ensure delegated financial authorities are complied with
- maintain appropriate segregation of duties
- co-ordinate the planning and budgeting process
- apply discipline in financial management, including managing debtors, creditors, cash flow and monthly bank reconciliations
- plan and oversee capital projects including those relating to estates safety
- manage and oversee assets, and maintain a fixed asset register
- ensure regularity, propriety and value for money in the organisation's activities
- ensure a risk register is maintained and reviewed by the board drawing on advice provided to it by the audit and risk committee
- reduce the risk of fraud and theft
- deliver independent checking of controls, systems, transactions and risks.

Financial planning

2.8 The board of trustees must:

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

Setting a budget

2.9 The board of trustees, and any separate committee responsible for finance, must ensure rigour and scrutiny in budget management.

2.10 The board of trustees must approve and minute their approval of a balanced budget, and any significant changes to it, for the financial year to 31 August, which can draw on unspent funds brought forward from previous years.

2.11 The board must ensure budget forecasts for the current year and beyond are compiled accurately, based on realistic assumptions, including any provision being made to sustain capital assets, and reflect lessons learned from previous years.

2.12 It should challenge pupil number estimates as these underpin revenue projections, and review these termly.

2.13 Boards are encouraged to take an integrated approach to curriculum and financial planning.

Boards should refer to DfE's material on improving school resource management including the top 10 planning checks for boards. To help manage capital assets and budgets, including the safety of pupils and others on the school estate, they should refer to the Good estates management for schools guidance including the organisation self-assessment tool, top 10 estate checks for boards and material on strategic estate management.

Sending your budget to ESFA

2.15 The academy trust **must** submit to ESFA, in a form specified by ESFA, an Academies budget forecast return (BFR) by the end of August in accordance with deadlines published annually.

2.16 These must be approved by the trustees before submission.

2.17 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, as this would be non-compliant with the funding agreement and this handbook.

Monitoring the budget

2.18 The trust must prepare management accounts, including an income and expenditure account, variation to budget report, cash flows and balance sheet every month setting out its financial performance and position.

2.19 Management accounts **must** be shared with the chair of trustees every month and the board **must** consider these when it meets and be assured that it has appropriate oversight of the trust's financial position.

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

Cash management

2.21 The trust must manage its cash position robustly. It must avoid becoming overdrawn on any of its bank accounts so that it does not breach restrictions on borrowing.

Investment

2.22 The board of trustees may invest to further the trust's charitable aims, but must ensure investment risk is properly managed. When considering an investment the board must:

- have an investment policy to manage and track its financial exposure, and ensure value for money
- exercise care and skill in investment decisions, taking advice as appropriate from a professional adviser
- ensure exposure to investment products is tightly controlled so security of funds takes precedence over revenue maximisation

- ensure investment decisions are in the trust’s best interests
- review the trust’s investments and investment policy regularly.

2.23 The board should follow the Charity Commission’s guidance: CC14 Charities and investment matters: A guide for trustees.

Procurement and Spending Decisions

2.24 The academy trust must be able to show that public funds have been used as intended by Parliament.

Procurement basics

2.25 The academy trust must ensure:

- spending has been for the purpose intended and there is propriety in the use of public funds including in relation to any actual or perceived conflicts of interest.
- spending decisions represent value for money
- internal delegation levels are applied
- a competitive procurement procedure is in place and incorporated into the trust’s financial framework, and the procurement rules and thresholds in the Public Contracts Regulations 2015 and Find a Tender service are observed
- professional advice is obtained where appropriate.

2.26 Trusts should refer to the buying for schools tool to help obtain value for money and apply relevant procurement regulations.

Setting Executive Pay

2.27 The board of trustees **must** ensure its decisions about levels of executive pay (including salary and any other benefits) follow a robust evidence-based process and are a reasonable and defensible reflection of the individual’s role and responsibilities. No individual can be involved in deciding their remuneration.

2.28 The board **must** discharge its responsibilities effectively, ensuring its approach to pay and benefits is transparent, proportionate and justifiable, including:

- an agreed process for determining executive pay
- independent scrutiny by the board
- robust decision-making
- proportionality – that pay and benefits represent good value for money and are defensible relative to the public sector market
- documented decision-making with rationale
- a basic presumption that executive pay and benefits should not increase at a faster rate than that of teachers, in individual years and over the longer term
- understanding that inappropriate pay and benefits can be challenged by ESFA, particularly in instances of poor financial management of the trust.

Publication of executive pay

2.29 The trust must publish on its website in a separate readily accessible form the number of employees whose benefits exceeded £100k, in £10k bandings, for the previous year ended 31 August. Benefits for this purpose include salary, employers’ pension contributions, other taxable benefits and termination payments. Where the academy trust has entered into an off-payroll arrangement with someone who is not an employee the amount paid

by the trust for that person's work for the trust must also be included in the website disclosure where payment exceeds £100k as if they were an employee.

Tax arrangements for senior employees

2.30 The academy trust **must** ensure its senior employees' payroll arrangements fully meet their tax obligations and comply with HM Treasury's guidance about the employment arrangements of individuals on the avoidance of tax. This is described in HM Treasury's Review of the Tax Arrangements of Public Sector Appointees, which explains that senior managers with significant financial responsibilities should be exclusively on payroll, and therefore subject to Pay As You Earn with income tax and NI contributions deducted at source. Failure to comply with these requirements can result in a HM Treasury fine.

Electric Vehicle (EV) Salary Sacrifice Schemes

2.31 Academy trusts must approach ESFA to seek approval for the following transactions:

- entering into a new electric vehicle salary sacrifice scheme
- accepting any further employees onto an existing electric vehicle salary sacrifice scheme.

You must contact ESFA early in the planning stage, both in relation to new schemes and accepting further employees onto existing schemes.

Purchase of alcohol

2.32 The trust's funds must not be used to purchase alcohol for consumption, except where it is to be used in religious services.

Income generation

2.33 The academy trust should set fees for its chargeable services at full cost, but can apply an additional rate of return when in a commercial environment.

2.34 For the provision of mainstream boarding places, trusts **must** charge on a full cost recovery basis applying a rate of return of 8% on boarding charges. Fees and charges should be determined in accordance with ESFA's guidance on Managing boarding provision and annex 6.1 of Managing Public Money.

Risk management

Oversight of risk and the risk register

2.35 The trust must manage risks to ensure its effective operation and must maintain a risk register:

- Overall responsibility for risk management, including ultimate oversight of the risk register, must be retained by the board of trustees, drawing on advice provided to it by the audit and risk committee
- Other committees may also input into the management of risk at the discretion of the board
- Aside from any review by individual committees, the board should review the risk register frequently and must conduct a full review of it at least annually
- Risks management covers the full operations and activities of the trust, not only financial risks.

2.36 The trust's management of risks must include contingency and business continuity planning.

The risk protection arrangement

2.37 The academy trust must have adequate insurance cover in compliance with its legal obligations or be a member of the academies risk protection arrangement (RPA). Not all risks are covered in the RPA and therefore trusts with RPA cover may require additional commercial insurance.

2.38 The trust should consider the RPA unless commercial insurance provides better value for money. If the trust is not an RPA member, it should determine its own level of commercial insurance to include buildings and contents, business continuity, employers' and public liability insurance and other cover required.

2.39 The trust **must** cooperate with risk management auditors and risk managers, and implement reasonable risk management audit recommendations made to them.

Whistleblowing

2.40 The trustees must agree a procedure for whistleblowing, and publish it on the trust's website, to protect staff who report individuals they believe are doing something wrong or illegal.

2.41 The trust should appoint at least one trustee and one member of staff, who other staff can contact to report concerns.

Informing staff

2.42 The trust must ensure all staff are aware of the whistleblowing process and how concerns will be managed.

2.43 Staff should know what protection is available to them if they report someone, what areas of malpractice or wrongdoing are covered in the trust's whistleblowing procedure, and who they can approach to report a concern.

2.44 The trust **must** ensure all concerns raised with them by whistleblowers are responded to properly and fairly.

Provision of information

General information requests

2.45 The academy trust **must** provide ESFA, or its agents, with information ESFA requires to meet funding requirements.

Information about key individuals in the trust

2.46 The trust **must** notify DfE of changes to the governance information, described in this section within 14 calendar days of the change and update their website and Companies House accordingly.

2.47 Notification **must** be through the governance section of DfE's Get information about schools (GIAS) register, accessed via DfE Sign-in.

2.48 All mandatory fields specified in GIAS for the individuals **must** be completed and the trust **must** ensure its record in GIAS for the individuals is kept up to date.

2.49 The records required in GIAS for the trust are: members, chair of trustees, all other trustees, accounting officer, chief financial officer including direct contact details for all.

2.50 The records required in GIAS for constituent academies in a trust with multiple academies are: headteacher, chairs of local committees/governing bodies (where adopted), local governors (where adopted), including direct contact details for all.

Part 3: Internal scrutiny

The need for academy trusts to conduct checks to ensure systems are effective and compliant.

Purpose of internal scrutiny

3.1 All academy trusts must have a programme of internal scrutiny to provide independent assurance to the board that its financial and non-financial controls and risk management procedures are operating effectively.

Approach

3.2 Internal scrutiny must focus on:

- evaluating the suitability of, and level of compliance with, financial and non-financial controls
- offering advice and insight to the board on how to address weaknesses in financial and non-financial controls
- ensuring all categories of risk are being adequately identified, reported and managed.

3.3 The trust must identify on a risk-basis (with reference to its risk register) the areas it will review each year.

Working with other assurance providers

3.4 Internal scrutiny should take account of output from other assurance procedures to inform the programme of work - for example external audit and ESFA reviews.

Independence and objectivity

3.5 Independence in internal scrutiny must be achieved by establishing appropriate reporting lines, whereby those carrying out checks report directly to a committee of the board, which in turn provides assurance to the trustees.

Directing internal scrutiny – the audit and risk committee

Requirement for a committee

3.6 The academy trust must establish an audit and risk committee, appointed by the board.

- Trusts with an annual income over £50 million must have a dedicated audit and risk committee
- Other trusts must either have a dedicated audit and risk committee or can combine it with another committee, such as finance.

3.7 The audit and risk committee should meet at least three times a year.

Remit of the committee in relation to internal scrutiny

3.8 The audit and risk committee must:

- oversee and approve the trust's programme of internal scrutiny
- ensure that risks are being addressed appropriately

- report to the board on the adequacy of the trust’s internal control framework, including financial and non-financial controls and management of risks.

Membership of the committee

3.9 Employees of the trust should not be audit and risk committee members, but the accounting officer and chief financial officer should attend to provide information and participate in discussions.

3.10 The chair of trustees should not be chair of the audit and risk committee. Where the finance committee and audit and risk committee are separate, the chair should not be the same.

3.11 Where the audit and risk committee is combined with another committee, employees should not participate as members when audit matters are discussed.

Operating the committee

3.12 The committee must:

- have written terms of reference
- agree a programme of work annually to deliver internal scrutiny that provides coverage across the year, agree who will perform the work and consider their reports and the trust’s progress in addressing recommendations
- review the ratings and responses on the risk register to inform the programme of work
- have access to the external auditor, as well as their internal scrutineers.

3.13 Oversight **must** ensure information submitted to DfE and ESFA that affects funding is accurate and complies with funding criteria.

Delivering internal scrutiny

Principles

3.14 Internal scrutiny must:

- be independent and objective – for example it **must not** be performed by members of the senior leadership or finance team
- be conducted by someone suitably qualified and experienced and able to draw on technical expertise, as required
- be timely, with the programme of work spread appropriately over the year so higher risk areas are reviewed in good time
- include regular updates to the audit and risk committee by the internal scrutineer(s) carrying out the programme of work, incorporating:
 - a report of the work to each audit and risk committee meeting
 - an annual summary report to the audit and risk committee for each year ended 31 August outlining the areas reviewed, key findings, recommendations and conclusions, to help the committee consider actions and assess year on year progress.

3.15 Whilst the audit and risk committee is responsible for overseeing the internal scrutiny, the findings **must** also be made available to all trustees promptly.

Options

3.16 The trust **must** deliver internal scrutiny in the way most appropriate to its circumstances. Options include any combination of:

- an in-house internal auditor
- a bought-in internal audit service
- the appointment of a non-employed trustee
- an independent peer review by the chief financial officer from another academy trust.

Trusts with an annual revenue income over £50 million should (and from 1 September 2025 must) deliver internal scrutiny using any combination of the following:

- an in-house internal auditor
- a bought-in internal audit service

All trusts, regardless of income levels, may also use other individuals or organisations where specialist non-financial knowledge is required.

3.17 To ensure those carrying out the programme of internal scrutiny work are suitably qualified and/or experienced:

- auditors should be members of a relevant professional body
- trustees and peer reviewers performing the work should have qualifications and/or experience relevant to the area being reviewed.

Trusts should work towards this position where it is not already the case.

3.18 The trust **must** keep its approach to internal scrutiny under review. If it changes in size, complexity or risk profile, it should consider whether its approach remains suitable.

External reporting and transparency

3.19 The trust must confirm in its governance statement, accompanying its annual accounts, which of the internal scrutiny options it has applied and why. The outcome of the work must also inform the accounting officer's statement of regularity in the annual accounts.

3.20 The trust **must** submit its internal scrutiny summary report to ESFA by 31 December each year when it submits its audited annual accounts. The trust **must** also provide ESFA with any other internal scrutiny reports, if requested.

Part 4: Annual accounts and external audit

Preparation and audit of accounts

4.1 The academy trust must maintain adequate accounting records and prepare an annual report and accounts in line with the Charity Commission's Statement of Recommended Practice (SORP) and ESFA's Accounts Direction.

4.2 The accounts must be audited.

4.3 The accounting period of an academy trust will end on 31 August.

4.4 The audited report and accounts must be:

- submitted to ESFA by 31 December
- published on the trust's website by 31 January
- filed with Companies House by 31 May

- provided to every member and to anyone who requests a copy.

External auditors

Appointment of external auditors

4.5 Academy trusts **must** appoint an auditor to give an opinion on whether their annual accounts present a true and fair view of the trust's financial performance and position (appointment being by the members, other than where the Companies Act permits the trustees to appoint) and, as reporting accountant, provide a regularity assurance conclusion. Trusts should tender their external audit contract at least every five years and **must** consider the relevant points in 4.15 when evaluating.

4.6 The audit contract and regularity engagement **must** be in writing and **must** not cover other services. If additional services are purchased, a separate letter of engagement **must** be obtained specifying the work and the fee.

Removal of external auditors

4.7 The letter of engagement must allow for removal of auditors, before the expiry of the term of office, in exceptional circumstances. Proposals to remove auditors must require a majority vote of the members, who must provide reasons for their decision to the board. There must be a requirement in the letter of engagement for the auditors to provide the trust with an explanation within 14 calendar days if the auditors resign.

4.8 The board of trustees **must** notify ESFA immediately of the removal or resignation of the auditors. For removal, the trust **must** notify ESFA of the reasons, copying to ESFA any statement received from the auditor on this matter. For resignation, the trust **must** copy to ESFA an explanation from the auditors. A change in auditor at the expiry of their agreed term of office does not require notification to ESFA.

Group auditors and sector account

4.9 DfE will consolidate each academy trust's accounts into a sector annual report and accounts (SARA). As each trust is a component of the SARA, the trust **must** prepare the financial information requested by DfE for this purpose.

4.10 Academy trusts' auditors will be required by DfE to audit certain information, and this requirement should be incorporated within the terms of engagement.

4.11 The NAO must reach an opinion on regularity for ESFA's own accounts, and for this will draw on the regularity conclusions of trusts' auditors.

Review of regularity

Accounting officer's statement

4.12 An accounting officer's statement on regularity, propriety and compliance **must** be included in the academy trust's annual accounts. This is a declaration by the accounting officer that they have met their responsibilities to Parliament for the resources under their control during the year.

Auditor's review of regularity

4.13 A review of the accounting officer's statement **must** be included within the remit of academy trusts' external auditors. The auditor's conclusions on regularity **must** be addressed jointly to the trust and ESFA.

External audit oversight and findings – the audit and risk committee

4.14 The board of trustees, taking advice from the audit and risk committee, **must** ensure there is an appropriate, reasonable and timely response by the trust's management team to findings by external auditors, taking opportunities to strengthen systems of financial management and control.

4.15 Specifically the audit and risk committee **must**:

- review the external auditor's plan each year
- review the annual report and accounts
- review the auditor's findings and actions taken by the trust's managers in response to those findings
- assess the effectiveness and resources of the external auditor to provide a basis for decisions by the trust's members about the auditor's reappointment or dismissal or retendering. Considerations may include:
 - the auditor's sector expertise
 - their understanding of the trust and its activities
 - whether the audit process allows issues to be raised on a timely basis at the appropriate level
 - the quality of auditor comments and recommendations in relation to key areas
 - the personal authority, knowledge and integrity of the audit partners and their staff to interact effectively with, and robustly challenge, the trust's managers
 - the auditor's use of technology
- report the committee's conclusions annually to the board of trustees and members, including recommendations on the reappointment or dismissal or retendering of the external auditor, and their remuneration.

Part 5: Delegated authorities

Requirement to obtain ESFA approval

5.1 The academy trust has autonomy over financial transactions arising in the normal course of business. However, some transactions have delegated authority limits beyond which trusts **must** obtain prior ESFA approval, regardless of the source of funds.

5.2 Trusts **must** ensure they understand and comply with the schedule of delegated authorities set out in section 5.61. ESFA may intervene where trusts do not seek the required ESFA approval in advance.

Disclosure

5.3 Irrespective of whether ESFA approval is required, the academy trust must disclose aggregate figures for transactions of any amount, and separate disclosure for individual transactions above £5,000, in its audited accounts for the following transactions:

- special payments – compensation [5.15]
- special payments – ex gratia [5.17]

- writing off debts and losses [5.19]
- guarantees, letters of comfort and indemnities [5.19]
- acquisition or disposal of freehold land and buildings [5.23]
- disposal of heritage assets [5.23]
- taking up or granting a leasehold on land and buildings [5.26]
- gifts by the trust [5.32].

5.4 The following transactions **must** be disclosed in total, and individually:

- special payments – staff severance, of any value [5.8].

5.5 Other than what is required under financial reporting standards, the Charities SORP and the Accounts Direction, disclosure can be anonymised.

Novel, contentious and repercussive transactions

5.6 Novel, contentious and/or repercussive transactions must always be referred to ESFA for approval, and the request must be made to ESFA before the transaction occurs.

- 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.

Special payments

5.7 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

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

5.9 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.

5.10 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.

5.11 Where the academy trust is considering a staff severance payment, including a non-statutory/non-contractual element of £50,000 or more, (gross, before income tax or other deductions), ESFA's prior approval **must** be obtained before making any offer to staff. ESFA will refer such transactions to HM Treasury, so trusts should allow sufficient time for proposals to be considered.

5.12 Settlements **must** not be accepted unless satisfying the conditions in this handbook and in ESFA's guidance and submission template.

5.13 Additionally, in accordance with HM Treasury's Guidance on Public Sector Exit Payments, Academy trusts **must** obtain prior ESFA approval before making a special staff severance payment where:

- an exit package which includes a special severance payment is at, or above, £100,000; and/or
- the employee earns over £150,000.

Use of confidentiality clauses

5.14 Academy trusts must ensure confidentiality clauses associated with staff severance payments do not prevent an individual's right to make disclosures in the public interest (whistleblowing) under the Public Interest Disclosure Act 1998.

Compensation payments

5.15 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.

5.16 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.

Ex gratia payments

5.17 Ex gratia payments are another type of transaction going beyond statutory or contractual cover, or administrative rules. Annex 4.13 of Managing Public Money provides examples, including payments to meet hardship caused by official failure or delay, and to avoid legal action due to official inadequacy.

5.18 Ex gratia transactions must always be referred to ESFA for prior approval. HM Treasury approval may also be needed. If trusts are in doubt about a proposed transaction, they should seek ESFA advice.

Write-offs and entering into liabilities

5.19 The academy trust must obtain ESFA's prior approval for the following transactions beyond the delegated limits described below:

- writing-off debts and losses;
- entering into guarantees or letters of comfort; and
- entering into indemnities which are not in the normal course of business.

5.20 The delegated limits, are:

- 1% of total annual income or £45,000 (whichever is smaller) per single transaction
- cumulatively, 2.5% of total annual income (subject to a maximum of £250,000) in any financial year per category of transaction for trusts that have not submitted timely, unqualified accounts for the previous two financial years. This category includes new trusts that have not had the opportunity to produce two years of audited accounts
- cumulatively, 5% of total annual income (subject to a maximum of £250,000) in any financial year per category of transaction for trusts that have submitted timely, unqualified accounts for the previous two financial years.

5.21 In relation to these limits:

- the trust should always pursue recovery of amounts owed to it, including overpayments, or erroneous payments. In practice, however, there will be practical and legal limits to how cases should be handled
- the trust should only consider writing-off losses after careful appraisal, including whether all reasonable recovery action has been taken with the debtor, the trust's insurers, or the risk protection arrangement, and should be satisfied there is no feasible alternative
- the amounts for write-offs are before 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 audited accounts. ESFA should be contacted, if the trust has not yet published their first audited accounts.

5.22 Before accepting liabilities by issuing guarantees, a letter of comfort or indemnity, the trust should secure value for money by appraising the proposal through assessment of the costs and benefits of relevant options.

Acquisition and disposal of fixed assets

5.23 Academy trusts must obtain prior 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, as defined in financial reporting standards, beyond any limits in the funding agreement for the disposal of assets generally.

5.24 Other than land, buildings and heritage assets, trusts can dispose of other fixed assets without ESFA's approval subject to achieving the best price that can reasonably be obtained, and maintaining the principles of regularity, propriety and value for money.

Leasing

5.25 Under UK financial reporting standards applicable to academy trusts, there are 2 types of lease:

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

5.26 Trusts must obtain ESFA's prior approval for the following leasing transactions:

- taking up a finance lease on any asset not on the DfE approved list for any duration from another party, which are subject to the borrowing restrictions described in paragraphs 5.33 and 5.34
- taking up a leasehold or tenancy agreement on land or buildings from another party for a term of 7 or more years
- granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party.

5.27 Other than the above, trusts do not require ESFA's approval for operating leases.

5.28 Trusts must ensure any lease maintains the principles of value for money, regularity and propriety. Trusts should seek advice from their professional adviser and/or external auditor if they are in doubt over whether a lease involves borrowing.

Managing General Annual Grant (GAG)

Managing surplus GAG

5.29 ESFA previously set limits on GAG carried forward by trusts from year-to-year. These limits have now been removed for eligible trusts (see section 5.56).

Pooling of GAG by trusts with multiple academies

5.30 The ability to amalgamate and direct funds to meet improvement priorities and need across the trust's schools can be integral to a trust's successful financial operating model. A trust with multiple academies can amalgamate GAG for its academies to form one central fund. This practice can enhance a trust's ability to allocate resources in line with improvement priorities and running costs across the trust's constituent academies.

5.31 If a trust decides to pool GAG, it must consider the funding needs and allocations of each constituent academy. The trust must have an appeals mechanism and an appeal can be escalated to ESFA, if not resolved. ESFA's decision will be final and can result in the pooling provisions being dis-applied. A trust must not pool PFI funding, in accordance with its funding agreement.

Gifts

5.32 Academy trusts should have a policy and register on the acceptance of gifts, hospitality, awards, prizes or other benefits that might compromise their judgment or integrity and should ensure all staff are aware of it. When making gifts, the trust must ensure the value is reasonable, is within its scheme of delegation, the decision is documented, and achieves propriety and regularity in the use of public funds.

Borrowing

5.33 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 must only be used for business expenditure, and balances cleared before interest accrues.

5.34 Permission for borrowing is only allowed in exceptional circumstances, such as schemes introduced by the Secretary of State - for example the department's Condition Improvement Fund.

Related party transactions

5.35 This part of the handbook deals with goods or services provided by or to individuals or organisations related to the academy trust.

Principles applying to related party relationships

5.36 Academy trusts must be even-handed in their relationships with related parties by ensuring that:

- trustees comply with their statutory duties as company directors to avoid conflicts of interest, not accept benefits from third parties, and declare interest in proposed transactions or arrangements
- all members, trustees, local governors of academies and senior employees complete the register of interests, in accordance with sections 5.45 to 5.48 of this handbook
- no member, trustee, local governor, employee or related individual or organisation uses their connection to the trust for personal gain, including payment under terms that are preferential to those that would be offered to an individual or organisation with no connection to the trust
- there are no payments to trustees by the trust unless permitted by the articles, or by authority from the Charity Commission, and comply with any relevant agreement with the Secretary of State. Trusts will need to consider these obligations where payments are made to other business entities who employ the trustee, are owned by the trustee, or in which the trustee holds a controlling interest
- the Charity Commission's approval is obtained where the trust believes a significant advantage exists in paying a trustee for acting as a trustee
- payments provided to the persons referred to in section 5.49 satisfy the 'at cost' requirements in this handbook.

5.37 The trust should be aware of the Charity Commission's guidance for trustees CC11: Trustee expenses and payments.

5.38 The board of trustees must ensure requirements for managing related party transactions are applied across the trust. The board chair and the accounting officer must ensure their capacity to control and influence does not conflict with these requirements. They must manage personal relationships with related parties to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with The 7 principles of public life.

5.39 Trusts must recognise that some relationships with related parties may attract greater public scrutiny, such as:

- transactions with individuals in a position of control and influence, including the board chair and accounting officer
- payments to organisations with a profit motive, as opposed to those in the public or voluntary sectors
- relationships with external auditors beyond their duty to deliver a statutory audit.

5.40 The trust must keep sufficient records, and make sufficient disclosures in their annual accounts, to show that transactions with these parties, and all other related parties, have been conducted in accordance with the high standards of accountability and transparency required within the public sector.

Reporting and approval of related party transactions

5.41 Trusts must report all contracts and other agreements with related parties to ESFA in advance of the contract or agreement commencing or being renewed, using ESFA's related party on-line form.

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

This approval requirement does not apply in the following circumstances:

- contracts and other agreements for the supply of goods or services to a trust by the following educational establishments:
 - colleges, universities and schools which are sponsors of the academy trust
 - state funded schools and colleges, including academies.

This concession does not apply to transactions with a subsidiary of such a related party.

- the provision of services to an academy trust with a religious designation, for essential functions fundamental to the academy trust's religious character and ethos which can only be provided by their religious authority.

5.43 For the purposes of reporting to, and approval by, ESFA contracts and agreements with related parties do not include salaries and other payments made by the trust to a person under a contract of employment through the trust's payroll.

Approval of novel, contentious and/or repercussive related party transactions

5.44 Novel, contentious and/or repercussive related party transactions are subject to separate arrangements. Trusts must obtain ESFA's prior approval for any contracts and other agreements with related parties that are novel, contentious and/or repercussive, regardless of value. Approval must be sought using ESFA's related party on-line form. Trusts should carefully consider the impact of this requirement and its relevance to transactions involving the board chair and/or the accounting officer.

At cost requirements

5.45 Subject to sections 5.50 to 5.53 a trust must pay no more than 'cost' for goods or services ('services' do not include contracts of employment) provided to it by the following persons ('persons' meaning both individuals and organisations):

- members or trustees of the academy trust
- individuals or organisations related to a member or trustee of the academy trust. For these purposes the following persons are related to a member, or trustee:
 - a relative of the member or trustee. A relative is defined as a close member of the family, or member of the same household, who may be expected to influence, or be influenced by, the person. This includes, but is not limited to, a child, parent, spouse or civil partner
 - an individual or organisation carrying on business in partnership with the member, trustee or a relative of the member or trustee
 - a company in which a member or the relative of a member (taken separately or together), and/or a trustee or the relative of a trustee (taken separately or together), holds more than 20% of the share capital or is entitled to exercise more than 20% of the voting power at any general meeting of that company
 - an organisation controlled by a member or the relative of a member (acting separately or together), and/or a trustee or the relative of a trustee (acting separately or together). For these purposes an organisation is controlled by an individual or organisation if that individual or organisation can secure that the affairs of the body are conducted in accordance with the individual's or organisation's wishes
- any individual or organisation given the right under the trust's articles of association to appoint a member or trustee of the academy trust; or any body connected to such individual or organisation

- any individual or organisation recognised by the Secretary of State as a sponsor of the academy trust; or any body connected to such individual or organisation.

5.46 A body is connected to another individual or organisation, if it is controlled by the individual or organisation, or controls the organisation, or is under common control with the individual or organisation. For these purposes, control means:

- holding more than 20% of the share capital (or equivalent interest), or
- having the equivalent right to control management decisions of the body, or
- having the right to appoint or remove a majority of the board or governing body.

5.47 The 'at cost' requirement does not apply to the trust's employees unless they are also one of the parties described in section 5.45.

5.48 While these provisions do not apply to contracts of employment, the principles of value for money and using public money properly, including managing conflicts of interest, still apply. Salaries should be appropriate to the individual's skills and experience and to wider market rates.

5.49 If staff of an individual or organisation in section 5.45 are based in, or work from the premises of, the academy trust, that individual/ organisation and the trust must agree an appropriate sum to be paid to the trust for use/occupation of the premises, save to the extent that they are carrying out work for the trust.

5.50 The 'at cost' requirement applies to contracts with a related party exceeding £2,500, cumulatively, in any one financial year. Where a contract takes the trust's cumulative annual total with the related party beyond £2,500, the element above £2,500 must be at no more than cost.

5.51 In relation to organisations supplying legal advice or audit services to the academy trust, the 'at cost' requirement applies where the organisation's partner managing the service is a member or trustee of the trust, but not in other cases for those organisations. The published ethical standards for auditors prevent partners or employees of the audit firm from acting as a trustee of their client trust, but not of other trusts.

5.52 For academies with a religious designation, the provision of services to protect and develop their religious character and ethos, which can only be provided by their religious authority, are regarded as meeting the "at cost" requirement.

5.53 For academy trusts;

- with a college, university or school which is a sponsor of the academy trust, or
- transacting with any other state funded school (including an academy) or college

the provision of goods and/or services by that sponsor, state funded school or college are regarded as meeting the "at cost" requirement. This does not apply to transactions with a subsidiary of such a related party.

5.54 Academy trusts must ensure any agreement with an individual or organisation referred to in section 5.45 to supply goods or services to the trust is properly procured through an open and fair process and is:

- supported by a statement of assurance from that individual or organisation to the trust confirming their charges do not exceed the cost of the goods or services, and
- on the basis of an open book agreement including a requirement for the supplier to demonstrate clearly, if requested, that their charges do not exceed the cost of supply.

5.55 For these purposes the cost will be the 'full cost' of all the resources used in supplying the goods or services and must not include any profit. Full cost includes:

- all direct costs (costs of materials and labour used directly in producing the goods or services)

- indirect costs (a proportionate share of fixed and variable overheads).

Applicability of delegations and freedoms

5.56 Some delegations and freedoms in part 5 of this handbook that go beyond the trust’s funding agreement do not apply to those trusts. They do not apply to trusts that are party to one or more funding agreements that:

- allow one or more of its academies to receive GAG based on estimated pupil numbers regardless of whether they are being funded on that basis, and
- allow the Secretary of State to recover GAG from those academies if estimated pupil numbers exceed census-based pupil numbers beyond a specified percentage, and
- do not require a move to pupil census-based funding permanently.

5.57 A move permanently means:

- the academy is subject to a funding agreement moving it to pupil census-based funding within a specified number of years, after which the agreement provides for it to be funded only in that way, or
- in the case of a free school, it is subject to a funding agreement moving it to pupil census-based funding when all cohorts relevant to the age range have some pupils present; and allows the Secretary of State to recover all additional GAG from the free school, if estimated pupil numbers exceed census-based pupil numbers.

5.58 The delegations and freedoms in the handbook that do not apply to trusts on estimates-based GAG funding are those relating to:

- acquisition and disposal of fixed assets (5.23)
- leaseholds and tenancy agreements of land and buildings (5.26)
- carry forward of unspent GAG from one year to the next (5.29)
- pooling of GAG (5.30).

5.59 The freedoms do not apply until the trust’s funding agreements are updated to move all academies within the trust to pupil census-based funding permanently, as defined above.

5.60 In the case of a trust with multiple academies, if one or more of its constituent academies does not meet the criteria above for access to the delegations and freedoms, all academies within the trust will be unable to access the delegations and freedoms.

Summary of freedoms and delegations

5.61 This summary is not a substitute for the full handbook. Trusts’ delegated authorities are subject to the conditions in section 5.56. Trusts under a notice to improve will have their delegated authorities revoked under section 6.18.

Novel, contentious and repercussive	Novel, contentious and repercussive transactions	ESFA agreement required [5.6]
Special payments	Staff severance and compensation	ESFA agreement required if £50,000 or more before tax [5.11 and 5.16]
	Ex gratia payments	ESFA agreement required [5.18]
Write-offs and liabilities (subject to £250,000 ceiling)	Writing-off debts and losses	ESFA consent required if exceeds: <ul style="list-style-type: none"> • 1% of annual income or £45,000 individually; or

	Entering into indemnities (beyond the normal course of business), guarantees or letters of comfort	• 2.5% or 5% of annual income cumulatively [5.19 and 5.20]
Acquisition and disposal of fixed assets	Acquiring freehold land/buildings	ESFA agreement required [5.23]
	Disposing of a freehold on land/buildings	ESFA agreement required [5.23]
	Disposing of heritage assets Other disposals	ESFA agreement required [5.23] Trust has full discretion [5.24]
Leasing	Taking up a finance lease	ESFA agreement required [5.26]
	Taking up a leasehold on land and buildings	ESFA agreement if lease term seven years or more [5.26]
	Taking up any other lease	Trust has full discretion [5.25]
	Granting a lease on land and buildings	ESFA agreement required [5.26]
GAG	GAG carry forward	No limits if trust eligible [5.29]
	Pooling by trusts with multiple academies	No limits (except PFI) if trust eligible [5.30]
Borrowing	Loan, overdraft	ESFA agreement required [5.33]
	Credit cards (for business use)	Trust has full discretion provided charges not incurred [5.33]
Related party transactions	Supplies to the trust from related parties	ESFA agreement required over £40,000 and over associated limits in [5.42]

Part 6: The regulator and intervention

ESFA oversight

6.1 ESFA's accounting officer is accountable to Parliament for how ESFA uses its funds and is personally responsible for the regularity, propriety and value for money of its expenditure.

6.2 ESFA's accounting officer will send a 'Dear Accounting Officer' letter on occasion to academy trust accounting officers. Accounting officers must share it with their members, trustees, chief financial officer and senior leadership team, arrange for the board to discuss it and take action, if necessary, to strengthen financial controls.

Access rights

6.3 DfE, ESFA or its agents may carry out audits and investigations at an academy trust. The trust **must** provide DfE and/or ESFA with access to all books, records, information, explanations, assets, premises and staff, and DfE/ESFA may take copies of relevant documents.

Investigations: Third party documentation

6.4 Where DfE/ESFA has concerns about financial management and/or governance at an academy trust, it may wish to obtain from third parties information or documentation about the trust which DfE/ESFA considers relevant for the purposes of its investigation. Academy trusts must provide DfE/ESFA with written authority, giving permission for any third party to provide such information and documentation to DfE/ESFA or its agents on request of DfE/ESFA.

Retention of records

6.5 The trust must retain records to verify provision delivered by it, or its sub-contractors, in relation to this handbook and its funding agreement, at least six years after the period to which funding relates.

Financial management and governance self-assessment

6.6 All trusts must complete the School resource management self-assessment checklist and submit their completed checklist to ESFA by the specified annual deadline. New operational academy trusts must complete a financial management and governance self-assessment (FMGS) and submit it to ESFA within 3 months of opening their first academy.

6.7 To gain assurance over financial arrangements at academy trusts, ESFA will conduct financial management reviews, examining whether systems and control comply with the handbook.

Funding audit

6.8 Funding audits allow ESFA to gain assurance on the pupil census and free school meals entitlement data provided by an academy trust to calculate its recurrent funding, and establish whether this data is accurate and supported by evidence. The scope and timing of funding audits are determined annually.

Fraud, theft, irregularity and Cybercrime

6.9 Academy trusts must be aware of the risk of fraud, theft and irregularity and address it by putting in place proportionate controls. Trusts must take appropriate action where fraud, theft or irregularity is suspected or identified.

6.10 The board of trustees must notify ESFA, as soon as possible, of all instances of fraud, theft and/or irregularity exceeding £5,000 individually, or £5,000 cumulatively in any financial year. Unusual or systematic fraud, regardless of value, must also be reported. The following information is required:

- full details of the event(s) with dates
- the financial value of the loss
- measures taken to prevent recurrence
- whether it was referred to the police (and if not why)
- whether insurance or the RPA have offset any loss.

6.11 ESFA may conduct or commission investigations into actual or potential fraud, theft or irregularity in any academy trust, either because of a notification from the trust itself or from other information received. ESFA may involve other authorities, including the police.

6.12 ESFA will publish reports about its investigations and about financial management and governance reviews at academy trusts.

6.13 ESFA also publishes guidance on reducing fraud. Trusts should refer to this and to the findings from ESFA's investigation reports, as part of its risk management approach.

Cybercrime

6.14 Academy trusts must also be aware of the risk of cybercrime, put in place proportionate controls and take appropriate action where a cyber security incident has occurred. Trusts should take appropriate action to meet DfE's cyber security standards, which were developed to help them improve their resilience against cyber-attacks.

6.15 Trusts must obtain permission from ESFA to pay any cyber ransom demands. ESFA supports the National Crime Agency's recommendation not to encourage, endorse, or condone the payment of ransom demands. Payment of ransoms has no guarantee of restoring access or services and is likely to result in repeat incidents.

ESFA intervention powers

6.16 Where DfE/ESFA has concerns about financial management and/or governance in an academy trust, the department may issue, and publish, a Notice to Improve (Nti).

Examples of when a Nti might be issued on financial management grounds include:

- an actual or projected deficit
- cash flow problems
- insolvency risk
- irregular use of public funds
- poor internal scrutiny
- breaches of related party requirements.

Examples of when a Nti might be issued on governance grounds include:

- the trust board not being properly constituted
- trustees failing to comply with their safeguarding duties
- trustees lacking the skills, knowledge and experience to exercise effective oversight of the trust's operations and performance, including educational performance.
- trustees and the executive failing to manage their school estate and maintain it in a safe working condition strategically and effectively.

6.17 A Nti describes what a trust must do to address concerns about financial management or governance. The trust must comply with the Nti. Failure to comply will be deemed a funding agreement breach. The funding agreement may be terminated due to non-compliance with a Nti.

6.18 If a Nti is issued, the delegated authorities in sections 5.7 to 5.31 of this handbook may be revoked, and all transactions of this nature must be approved in advance by ESFA, specifically:

- special staff severance payments
- compensation payments
- writing off debts and losses
- entering into guarantees, indemnities or letters of comfort
- disposals of fixed assets beyond any limit in the funding agreement
- taking up a leasehold or tenancy agreement on land or buildings of a duration beyond any limit in the funding agreement
- carry forward of unspent GAG from one year to the next beyond any limit in the funding agreement

- pooling of GAG.

The trust may also be prevented from entering into transactions with related parties without approval. These delegated authorities shall be returned once the Ntl has been complied with, and improvement is sustainable.

6.19 The department will notify the trust of the date on which the department has published the Ntl. The trust must then publish the Ntl on its own website within 14 days and retain it on the website until the Ntl is lifted by the department.

Secretary of State directions

6.20 Where the Secretary of State has concerns about an individual managing an academy trust, he may take action to address those concerns.

6.21 Subject to the relevant provisions being present in the trust's funding agreement, the Secretary of State can require the trust to remove a member or trustee. This can include where the individual has been convicted, cautioned or engaged in relevant conduct and, as a result, the Secretary of State considers them unsuitable to take part in management of the academy trust.

6.22 The Secretary of State can also make directions under section 128 of the Education and Skills Act 2008 prohibiting individuals from taking part in academy trust management. This could prevent an individual from acting as a trustee or executive leader of a trust. The circumstances are prescribed in regulations, but can include where the individual is subject to a caution or conviction or has engaged in relevant conduct, and the Secretary of State considers that because of that caution, conviction or conduct that individual is unsuitable to take part in management of a school.

ESFA work with the Charity Commission

6.23 Where there is a concern, ESFA may refer trusts to the Charity Commission, reflecting the Commission's interest in addressing non-compliance with legal or regulatory requirements or misconduct or mismanagement in the administration of any charity, and in ensuring individuals running the charity (in particular, but not limited to, the trustees) do so in compliance with their legal duties. The Commission may use its regulatory powers as described in its Memorandum of Understanding with DfE.

ESFA work with the Insolvency Service

6.24 ESFA may refer academy trustees, as directors, to the Insolvency Service who may consider whether the conduct of a director is such that they are unfit to be involved in management of a company and whether or not it would be in the public interest for a disqualification order to be sought.

ESFA approach to academy resource management

6.25 Where ESFA has concerns about financial management of a trust, it may prescribe working with an expert in school resource management, such as a School Resource Management Advisor (SRMA). Trusts should make reasonable endeavours to implement improvements identified by an SRMA. Failure to do so may result in an Ntl being issued. Working with an SRMA may also be prescribed as a condition of an Ntl.

National Audit Office and Public Accounts Committee

6.26 The NAO has the right to access the accounts and relevant records of an academy trust for inspection, or for value for money studies. The trust must cooperate with NAO and their contractors and provide help, information and explanation as is reasonable and necessary.

6.37 The NAO's findings are considered by the Public Accounts Committee (PAC). The PAC has power to call anyone, including past and current accounting officers of a trust, to account for proper use of public funds.

Part 7: Standard Internal Control

The Trust has defined its standard internal control framework as follows:

Budgeting processes

The budget cycle will be as follows:

- The EFSA will make available the funding allocation statements by 31st March.
- The CFO will prepare a draft budget that will be circulated to Trustees in May.
- Draft budget feedback and adjustment requests must be made to the CFO in June.
- The final budget will be circulated to the trustees by in July.
- The final budget must be approved by trustees before it is submitted to the ESFA
- The CFO will ensure that the final budget forecast return is submitted to the EFSA by the submission deadline date.
- The budget will be uploaded in to the finance system by 31st August.

Any new academy joining the trust should receive their funding allocation within a month of opening, the trust must then submit the budget forecast return within the following six weeks.

Management Accounts

Monthly management accounts will be produced and issued to trustees, these will include:

- Income and expenditure report on an accrual basis
- Balance sheet
- Cash flow forecast
- Catering analysis
- Budget variance report

Finance System

All financial transactions of the trust must be recorded in the finance system. Access to the finance system is password restricted, and the system forces users to change their password frequently. The CFO is responsible for ensuring that there are effective back up procedures for the system recorded in the disaster recovery plan. Detail information on the operation of the finance system can be found in the user manual held in the finance office. The CFO is responsible for ensuring that the following reconciliations are performed each month:

- Sales ledger control accounts
- Purchase ledger control accounts

- Payroll control accounts
- Bank balance
- Fixed asset register

Any manual journals posted to the finance system will be reviewed by the CFO or Chief executive officer (CEO).

Segregation of duties

There should be clear segregation of duties within the trust finance systems. Where there is an adequate number of finance staff the processes should be segregated as follows:

- Order processing - Finance Officer/Office Assistant
- Order authorisation – Headteacher/CFO to sign off all order forms, CEO/CFO to authorise spend in finance system.
- Delivery checks and goods receipting – Office staff/caretaker
- Invoice authorisation – Headteacher/CFO/CEO
- Invoice input – Finance Officer/CFO
- Payment run set up – Finance Officer or CFO
- Payment run authorisation – CFO/CEO

Payroll

Staff Appointments

The trustees have approved a personnel establishment for the trust. Changes can only be made with the approval of the trustees, who must ensure that adequate budgetary provision exists. The headteacher has the authority to appoint staff within the authorised establishment except for members of the senior leadership team, whose appointments must follow consultation with the trustees. The Headteacher maintains personnel files for all staff in their establishment. The CEO maintains personnel files for all staff directly employed by the Trust. There is a Trust Pay Policy in place.

Payroll Administration and Payment

All staff are paid monthly through a Sage payroll system. A monthly reconciliation must be carried out to check that each member of staff is paid in line with their contract and the current pay policy. Once reconciled, the BACS file can be processed via the online banking system with dual authorisation of the payment. All salary amount will be recorded in the trust's finance system. Payroll will be externally audited annually.

Bank Accounts

The opening of all bank accounts must be authorised by the board of trustees who must set out the arrangements covering the operation of accounts and cheque signing. Some staff have access to online banking facilities to be able to view bank statements for reconciliation purposes and process BACS payments and internal transfers.

Deposits to bank accounts

Particulars of any deposit must be retained. These particulars must be recorded in the trust's finance system and the details should include:

- amount deposited
- reference of the debtor.
- be coded to the appropriate nominal ledger for the income type.

Cash and cheques must be banked regularly, for example at the end of each term or the value held in an academy would exceed £2K

Payments and withdrawals

All cheques withdrawn from the trust bank accounts must be signed by two authorised signatories. BACS payments runs are processed in finance system and a BACS file uploaded to the online banking Facility. All invoices must be authorised for payment before they are included in the payment run.

Charge cards

A limited number of charge cards are held by some budget holders to enable best value purchases. Card holders can only make purchase from within the pre-set limit of the card. The spend amount is cleared each month in full by Direct Debit. All charge card transactions are recorded in the trust's finance system and the statements reviewed regularly by the CFO or CEO.

All card holders must agree to the Trust's Charge Card user agreement.

Administration

The CFO must ensure bank statements are received regularly. Reconciliations of bank accounts are performed on a weekly basis and will be reviewed regularly by the CEO.

Purchasing

The trust must achieve best value for money on all purchases, following the general principle of;

- Probity – demonstrate that there is no corruption or private gain involved in the contractual relationship of the trust
- Accountability – publicly accountable for its expenditure and conduct
- Fairness – All those dealt with by the academy are dealt with on a fair and equitable basis

Authorisation limits for purchases of goods and services

The Trust's Scheme of Delegation documents sets out the authorisation limits for the Trust. This document is reviewed at least annually to ensure it meets the needs of the trust whilst maintaining financial control.

Routine Purchases

Budget holders are responsible for managing their budget and ensuring that the budget is not over spent.

- A report detailing actual spend against budget will be supplied regularly. Budget holders can place orders for routine purchases up to £1,000. Budget holders should consider several suppliers and alternative products to achieve best value.
- All orders must be made using an official requisition order form, and authorised by the Headteacher/CFO/CEO
- All orders should be recorded in the finance system where each order will be given a Purchase order reference.
- Purchase orders must then be authorised within the finance system by the CFO/CEO before the order is placed with the supplier.
- On receipt of goods, all deliveries are check and discrepancies should be discussed with the supplier without delay.
- All invoices must be authorised by the CFO, CEO or headteacher before being processed for payment within the finance system by finance staff.

Internet Purchases

Purchases made via the internet may be carried out where they provide value for money. Payment can be made using a trust charge card or by invoice raised against an official purchase order. All transactions must be recorded in the trust's finance system.

Expenses paid to staff

Where a budget holder has used their own money to acquire resources for the trust, they can make an expense claim. All claims must be agreed and signed by the budget holder and authorised by the Headteacher/CEO. A claim will not be paid if supporting documents, such as a receipt for the purchase, are not included. All claims will be paid via BACS. All transactions must be recorded in the trust's finance system. There is a School Purchases document which gives guidance to staff making expense claims. This document is displayed on the staff notice board. All claims must be made within a month from the purchased date, and by the end of the financial year

Purchases over £1000

It is best practice to obtain more than one quote and consider alternative products and suppliers to achieve best value when making higher value purchases. As least three written quotes should be obtained for all orders over £5,000 to identify the best source of the goods or services. Written quotes should be retained for audit purposes. Telephone quotes are acceptable if these are evidenced and written confirmation has been received before the purchasing decision is made.

Purchases over £25,000

All goods or services with a value over £25,000 or a series of contracts which in total would exceed £25,000 must be subject to a tendering process. There are three forms of tender as follows;

- Open tender – All potential suppliers are invited to tender
- Restricted tender – Suppliers are specifically invited to tender
- Negotiated tender – The terms of the contract may be negotiated with one or more suppliers.

Invitation to tender

An invitation to tender should include the following;

- Introduction and background to the project
- Scope and objectives of the project
- Technical requirements
- Implementation of the project
- Terms and conditions of the tender and
- Form of response

The invitation to tender should state the date and time by which the completed tender documents should be received by the academy. Envelopes should be clearly marked as containing tender documents and should be date stamped on arrival. Tenders received after the deadline should not normally be accepted.

Tender Opening procedure

All tenders should be opened at the same time and two persons should be present for the opening. It should be recorded who has submitted tenders and the amounts tendered. This record should be signed by those present at the opening.

The evaluation of the tenders should involve at least two people. Those involved should disclose all interests that may impact upon the objective. The accepted tender should be the one that is economically most advantageous to the academy. All parties should then be informed of the decision.

Income

The main sources of income for the trust are grants from the ESFA and from other sponsors. The receipt of these sums is monitored by the CFO who is responsible for ensuring all grants due are collected. The trust also obtain income from parental contributions, donations, sales and lettings.

External sales and lettings are invoices via the finance system. If payment terms are breached, debt collection will be undertaken by verbal and/or written communication. Non-payment may result in legal action to recover monies owned.

Parental contributions may be requested for school activities. If not enough funds are raised for a particular activity, it will be at the headteacher's discretion as to whether the activity can take place.

Custody of Income

Income is collected via an online collection service, direct payment into the bank account, cash or cheque. All income received must be recorded in the finance system. All cash and cheques must be kept locked in the school office prior to banking. Banking should take place frequently and the amount held in school not exceed £2K. Monies collected must be banked in their entirety and reconciled to the finance system promptly after each banking. Please see Section **Deposits to bank accounts** above, for more information.

Assets

An assets is anything that is capable of being owned to produce value or that is held to have positive economic value.

Capitalisation of Assets in the accounts

Assets to be capitalised should be identified in the accounts and depreciated accordingly. Purchases over the capitalisation limit of £2000 that are considered to be an asset should not be shown as an expense in the accounts but held on the balance sheet. Items should then be depreciated on a straight line basis over their useful economic life, usually as follows.

- Land and buildings – 50 -125 years
- Fixtures and fittings – 5-10 years
- ICT equipment – 3 years
- Motor vehicles – 4 years

Asset Register

All assets purchased must be entered in the asset register. The following information should be included:

- Asset description
- Asset number
- Serial number
- Date of acquisition
- Asset cost
- Name of person responsible for the asset
- Location

For assets that are above the capitalisation limit the following information must also be included.

- Expected useful economic life
- Depreciation
- Current net book value

Items in the register should be visibly marked as the trust's property and an annual audit carried out. Discrepancies should be investigated promptly and reported to the trust.

Asset Disposal

Items which are disposed of by sale or destruction must be authorised by the CFO and, where significant, should be sold following competitive tender. The trust must seek approval from the ESFA in writing if it proposes to dispose of land, buildings or heritage assets.

Business Continuity plan

The trust has in place a Critical Incident policy and plan.

Reserves

The Trustees intend to build up a prudent level of reserves over a period of time and will review the reserves policy annually. This review will encompass the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The trustees will take into consideration the future plans of the trust, the uncertainty over future income streams and other key risks identified during the risk review.

The directors have determined that the appropriate level of free reserves will be three months of expenditure across the trust. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent repairs, a rise in pupil numbers, staffing absence and the need to increase special needs cover should further high needs children be received into a school.