

# Financial Regulations

<b>Version</b>	2.5
<b>Approving Body</b>	Resources Committee
<b>Date ratified</b>	12 May 2025
<b>Date issued</b>	12 May 2025
<b>Review date</b>	May 2026
<b>Owner</b>	Trust CFO
<b>Applies to</b>	All Trust Schools, all Trust staff

<b>Version</b>	<b>Date</b>	<b>Reason</b>
0.1	January 2017	Draft – to respond to Internal Audit and Department for Education audit reports from 2016. Developed from the Department for Education model regulations (August 2016) on the NASBM website <a href="http://www.nasbm.co.uk/Department%20for%20Educationlibrary.aspx">http://www.nasbm.co.uk/Department for Educationlibrary.aspx</a>
1.0	March 2017	Updated following review by FAAC and Internal Audit
2.0	February 2021	Updated following process and system changes and growth of Trust
2.1	July 2022	Periodic review
2.2	July 2023	Periodic review.
2.3	September 2024	Periodic review
2.4	February 2025	Changes to bank mandate signatory list
2.5	May 2025	Update to reflect restructure of Central Finance Team

# CONTENTS

- Introduction
- Financial Planning
  - The budget cycle
  - Budget
  - Other Government Funding
  - Other Grants and specific funding
  - Virements
  - Budget Forecast Return
  - Monitoring and review (including management accounts)
- Independent checking procedures
- Annual accounts
  - Audit arrangements
  - Work undertaken during accounting period
  - Work undertaken for the year end
- Accounts Return
- Document retention
- Accounting system
  - System Access
    - Back-up Procedures
  - Transaction processing
  - Transaction reports
  - Reconciliations
- Cash Management
  - Bank Accounts
    - Deposits
    - Payments and withdrawals
  - Administration
  - Petty Cash
    - Payments
  - Administration
- Investments
- Revenue Reserves
- Capital Reserves
- Payroll
  - Staff Appointments
  - Payroll Administration
  - Payments
  - Salary advances
  - Overtime
  - Severance payments
  - Ex-gratia payments
- Income
  - Department for Education grants
  - Other grants
  - Trips and events
  - Lettings
  - Sundry income
  - Bad debts

Purchasing

Routine Purchasing

Requisitions and orders

E-procurement

Expenditure requiring a purchase order - less than £1,000

Expenditure requiring a purchase order – between £1,000 and £10,000

Expenditure requiring a purchase order - over £10,000

Related and connected parties

Goods and services for private use

Insurance

Expenses

Gifts

Fraud

Leasing

VAT

Fixed assets

Asset register

Disposals

Loan of Assets

Appendix A1: Schedule of Freedoms and Delegations from Academy Trust Handbook

Appendix A2: Trading with connected parties from Academy Trust Handbook

Appendix B: Bank mandates and Commercial Banking powers

## **Introduction**

1. The purpose of this manual is to ensure that Initio maintains and develops systems of financial control, which conform with the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of our funding agreement with the Secretary of State for Education, through the Education Funding Agency (Department for Education).
2. Initio must comply with the principles of financial control outlined in the Academy Trust Handbook. The Schedule of Freedoms and Delegations from the Handbook are reproduced at Appendix A1.
3. This manual provides detailed information on Initio's accounting procedures and system manual should be read by all staff involved with financial systems. In the event of conflict between this manual and the Academy Trust Handbook, the Handbook takes precedence.
4. In the event of conflict between this manual and the Trust's Scheme of Delegation, the Scheme of Delegation takes precedence.

## **Financial Planning**

5. Initio prepares an annual budget with a 3 year financial plan.

## **The budget cycle**

6. The budget cycle is as follows:
  - Autumn term (Sept – Dec)
    - Implementation of current budget plan
    - Monitoring expenditure (continuous-monthly)
    - Reconciliation and closure of previous financial year
    - November - Review meeting to look at the following:
      - Compare year end position to the previous year
      - Review current year performance and highlight any significant changes from budget assumptions
      - First look at the following year budgets ( pupil numbers, income, staffing assumptions) to highlight any potential funding gaps.
  - Spring term (Jan – Mar)
    - Monitoring and reviewing of year's budget
    - Revised budget where appropriate
    - Review and approval of updated 3 year financial plan
  - Summer term (Apr – Aug)
    - Planning for forthcoming year in line with 3 year plan
    - Preparation and submission of financial budget plan
    - Review of current year's budget

All requirements of the Department for Education, in particular relating to carry forward of unspent funds, will be taken into account in preparing and submitting the budget.

## **Budget**

7. The CFO is responsible for preparing and obtaining approval for the 3 year financial plan and annual consolidated budget, which must be approved by the CEO, Resources Committee and the Trust Board.
8. The annual budget will reflect the best estimate of the resources available to Initio for the forthcoming year and will detail how those resources are to be utilised.
9. The annual budget will include the resources to be retained for central services and the resources available to fund school level expenditure plans and outreach activities.
10. The Headteacher will approve the school level expenditure plan. The plan will be supported by a staffing establishment and a curriculum and teacher utilisation model.
11. There will be a clear link between school improvement plan objectives and the budgeted utilisation of resources.
12. Expenditure to be funded from Pupil Premium, Y7 Catch-up Premium, PE/Sports Grant and any other ringfenced grant should be clearly linked to the school's strategy in those designated areas.
13. The Headteacher may directly appeal to the Trust Board if they believe that their school has been unfairly treated in the annual budget process.
14. In circumstances specified in the Academy Trust Handbook the Headteacher may further appeal to the Secretary of State via the Department for Education.
15. The budgetary planning process will incorporate the following elements:
  - forecasts of the likely number of pupils to estimate the amount of General Annual Grant
  - latest estimate of other Department for Education funding e.g. pupil premium, Yr7 Catch-Up or other specific funds
  - review of other income sources available to Initio to assess likely level of receipts
  - review of past performance against budgets to promote an understanding of Initio cost
  - identification of potential efficiency savings
  - review of the main expenditure headings in light of the development plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes
  - all carry forward balances
  - any unspent grants from the previous financial year
  - any funds held in Trust
16. The approved budget is then entered onto the finance system at the start of the new financial year.

## **Other Government Funding**

17. In addition to GAG funding from the Department for Education the trust may be awarded specific funding for other projects e.g. Condition Improvement Funds, Character Bid funding, Additional Special Educational Needs funding etc. This funding may be from the Department of Education or Local Authority. All government funding will be spent in accordance with the terms and conditions imposed, accurately recorded as government income (restricted) and audited in accordance with the terms and conditions imposed.

18. The Financial Controller is responsible for recording income and expenditure for each grant. For SEN funding from the High Needs Block, the Finance Business Partner will liaise with the Headteacher/Senco Lead and will review termly the high needs information from each school to ensure that complete and accurate funding is received.

#### **Other Grants and specific funding**

19. In addition to the GAG funding from the Department for Education and other government funding, Initio may be awarded additional grants from time to time relating to specific projects e.g. Sport England Funding, Football Foundation Funding, charitable grants etc. All applications for additional external funding must be approved and supported by the Financial controller or CFO. All external funding and grants will be spent in accordance with the terms and conditions imposed, accurately recorded as income specific to a certain project and audited in accordance with the terms and conditions imposed.

#### **Virements**

20. Only virements with a net positive or nil impact on the budget are permitted without Trust Board approval.
21. The Headteacher will approve virements within the school level expenditure plan and will report these to the relevant Finance Business Partner.
22. The CFO will approve virements within the central services budget and outreach activities.
23. Virements between schools or between central services and schools require Trust Board approval.

#### **Budget Forecast Return**

24. The approved budget must be submitted to the Department for Education by the deadline notified by them by the CFO. The CFO is responsible for establishing a timetable, which allows sufficient time for the approval process and ensures that the submission date is met.

#### **Monitoring and review (including management accounts)**

25. Income and expenditure is monitored by Initio finance staff using a detailed chart of accounts.
  - Monthly school level and central services income and expenditure reports are prepared by the Financial Controller and the Finance Business Partner.
26. Any potential overspend against the budget must in the first instance be discussed with the CEO for the central services budget and the Headteacher for the school level expenditure plan.
27. The monthly reports are shared with Headteachers and the Executive by the Finance Business Partners.
28. Summary monthly reports are shared with the Trustees and Executive. The reports include:
  - actual income and expenditure against budget
  - Forecast
  - balance sheet
  - cash flow forecast

29. The CFO reports to each Resources Committee includes the latest monthly report and
- narrative report explaining significant variances
  - outturn forecast

### **Independent checking procedures**

30. The Resources Committee provides assurance to the Trust Board that all risks within the Trust and across constituent schools are being adequately identified and managed with particular regard to:
- reviewing the risks to internal financial control at the trust
  - agreeing a programme of work to address, and provide assurance on, those risks

This includes assurance that information submitted to DfE and Department for Education that affects funding, including pupil number returns and funding claims is accurate and in compliance with funding criteria.

The Committee commissions a risk-based supplementary programme of independent checking procedures from the external auditors to support their work.

### **Annual accounts**

31. Initio must prepare annual audited financial statements for the accounting period to 31 August.
32. The accounts are outsourced to our auditors for preparation but timely and appropriate completion remains the responsibility of the CFO.
33. The accounts are then submitted as follows:
- by 31 December – to Department for Education
  - by 31 January – published on the Initio website
  - by 31 May – to Companies House

### **Audit arrangements**

34. External auditors must be appointed in accordance with the Academy Trust Handbook.
35. The CFO is responsible for managing the audit process, by liaising with the auditors, arranging the timetable for accounts and audit completion and ensuring deadlines are met.

### **Work undertaken during accounting period**

36. The **Financial Controller** is responsible for ensuring the completion of the following tasks to be undertaken during the year, maintaining appropriate segregation of duties:

- reviewing the structure of the trial balance
- maintaining a fixed asset register
- monthly depreciation charges
- maintaining income and expenditure records (including filing of invoices)
- reviewing aged debtors for any provisions required
- maintaining a record of governors/trustees interests, related and connected party transactions
- control account reconciliations (bank, wages, debtors, creditors)
- maintaining a record of meeting attendance
- Monitoring & reporting to the Accounting Officer and Trust Board

#### **Work undertaken for the year end**

37. The Financial Controller is responsible for ensuring the completion of the following tasks to be undertaken at the end of the year, maintaining appropriate segregation of duties :

- prepayments for IT licences
- prepayments or accruals for grant income
- control account reconciliations (bank, wages, debtors, creditors)
- close down of the purchase ledgers
- close down of the sales ledger and aged debtors
- pension valuations
- Pension Audit

#### **Accounts Return**

38. Initio must prepare an annual accounts return for the accounting period to 31 August, which is submitted to the Department for Education by 31 January.
39. The accounts return is outsourced to our auditors for preparation but timely and appropriate completion remains the responsibility of the CFO.

#### **Document retention**

40. Documents are retained in accordance with the requirements of the Trust's Data Retention Policy.

#### **Accounting system**

41. All the financial transactions of Initio must be recorded into the computerised financial information accounting system.

#### **System Access**

42. Access to the system is password restricted to Trust staff and ICT support providers as determined by the Financial Controller , and to the system provider.
43. The CEO, Resources Committee, Trust auditors and Department for Education will be provided system access immediately on request.
44. The Financial Controller is responsible for implementing a system which is suitable and secure in design and operation.

45. The Financial Controller is responsible for ensuring appropriate segregation of duties and adequate evidence of such segregation for the amendment of standing data on the system.

#### **Back-up Procedures**

46. The Financial controller is responsible for ensuring that there are effective back up procedures for the system.
47. The Financial Controller is responsible for ensuring that the disaster recovery arrangements are adequate to respond in the event of loss of accounting facilities or financial data.

#### **Transaction processing**

48. All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual. Transaction documentation should be scanned and attached to the transaction in the finance ledger.
49. All nominal journal entries are entered into the finance system and should be supported by adequate documentation attached to the transaction. This includes the monthly payroll journal.
50. Bank transactions not processed through the sales or purchase ledger are processed as cashbook payments or receipts and supported by adequate written explanation or documentation.
51. The Financial controller is responsible for ensuring appropriate segregation of duties and adequate evidence of such segregation.

#### **Transaction reports**

52. The Financial Controller will obtain and review system reports to ensure that all transactions are posted correctly to the accounting system. The reports reviewed will include:
- Transaction reports
  - profile reports
  - journal entries

#### **Reconciliations**

53. The Financial controller is responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:
- sales ledger control account
  - purchase ledger control account
  - payroll control account
  - VAT control account
  - all suspense accounts
  - bank balance per the nominal ledger to the bank statement
54. The Financial Controller completes the month end schedule as evidence of review.
55. The Financial controller is responsible for ensuring appropriate segregation of duties and adequate evidence of such segregation.

## **Cash Management**

### **Bank Accounts**

56. The Trust Board must authorise the opening of all bank accounts or investment platform accounts. The operation of accounts on approved investment platforms is to be undertaken in accordance with the Treasury Policy. Any additions or amendments to bank mandates or online banking authorities requires Resources Committee approval.
57. The Financial Controller will ensure that in the event of changes to key personnel, signatories will be removed immediately and the bank notified. Any on-line access to banking will also be removed.

### **Deposits**

- The Trust discourages the use of cash within schools, it should only be taken as a method of payment in exceptional circumstances .

Cash must be held in the safe and deposited at the bank within 2 weeks of being received.

60. Cash received must be counted as soon as possible with at least two members of staff present. Both members of staff must independently check the monies received and sign to confirm the amount. This document must be retained as evidence and added to the finance system as supporting documentation for the bank credit.

### **Payments and withdrawals**

58. All cheques, BACS transfers, direct debits, standing orders and other instruments authorising withdrawal from academy bank accounts must be authorised by two authorised signatories in accordance with the bank mandate.
59. This provision applies to all accounts, public or private, operated by or on behalf of Initio including funds held in trust.

### **Administration**

60. The Financial Controller ensures bank statements are received regularly and that reconciliations are performed at least on a monthly basis, within five working days of the month-end. Reconciliation procedures must ensure that:
  - all bank accounts are reconciled to Initio's cash books
  - reconciliations are subject to an independent monthly review
  - adjustments arising are dealt with promptly

### **Petty Cash**

61. Initio is discontinuing the use of a Petty cash float in our schools.
62. [Removed]

## **Payments**

63. The preferred route for claiming minor cash expenses is through the Trust's Payroll 'Time Travel and Expenses' (TTE) system. This allows employees to claim up to £50 for occasional sundry cash purchases. Payments are authorised on production of a valid till receipt or other proof of payment and are subject to the same authorisation procedures as other purchases.
64. [Removed]

## **Investments**

65. Investments are managed in accordance with Initio's Treasury Policy

## **Revenue Reserves**

66. Any overall surpluses or deficits (reserves) at the end of the year are carried over to the following year.
67. The CEO as Accounting Officer will inform the Department for Education immediately if a cumulative deficit is anticipated.
68. The Trust Board will publish a reserves policy annually in the Trust's Financial Statements.

## **Capital Reserves**

69. Any overall surpluses at the end of the year are carried over to the following year.

## **Payroll**

### **Staff Appointments**

70. The annual budget is supported by a staffing establishment for each school and the Trust.
71. The authority to appoint staff within the authorised establishment is set out in the Scheme of Delegation.
72. Changes to the establishment in year require approval from the CEO who must ensure that adequate budgetary provision exists for any establishment changes.

### **Payroll Administration**

73. Payroll is administered through Dorset Council.
74. All starters, leavers and amendments to roles or personnel standing data will be input through the system by authorised payroll officers and authorised by the appropriate Headteacher. Changes to the Trust's senior leadership team will be authorised by the CEO. Changes to the CEO data will be made by Dorset Council on the basis of written authorisation on behalf of the Trust Board
75. The HR lead in the Resources directorate is responsible for maintaining the list of authorised payroll officers and liaising with Dorset Council officers to ensure the payroll system access is maintained accordingly.
76. The master file for personnel data, job role, pay details and sickness, absence, additional hours, temporary work or overtime undertaken records is the Dorset payroll system, though details will

also be maintained in each school's Management Information System for census, monitoring and reporting purposes.

77. All staff are paid monthly through the payroll provider. A master file is created for each employee which records:
  - salary
  - bank account details
  - taxation status
  - personal details
  - any deductions or allowances payable
  - other legal and relevant details
78. A local personnel file will be maintained on the site of main employment but in the event of any payroll discrepancy the payroll system record is the master file.

### **Payments**

79. Before payments are dispatched a review of payroll information is undertaken at each site in accordance with the timetable set by Dorset Council. An officer from Dorset payroll runs a draft payroll and this, along with a master changes report, are made available to the Trust using their secure Intranet site. Authorised payroll officers in each school have access to their own payroll for review, and must follow the Payroll checking process outlined by the Trust. Once all queries are resolved between the Trust, schools and Dorset, payroll will be run.
80. All salary payments are made by BACS.
81. Following the Payroll checking process, the authorised payroll officer uses the 'Payroll changes' tab in their payroll, coupled with overtime and expenses reports from the TTE system to compare current month's and the previous month's gross salary payments. The changes tab itemises adjustments made for new appointments, resignations, pay increases, overtime, travel and sundry expenses. Once complete, this reconciliation is reviewed and authorised by the Headteacher for schools and the HR lead in the Resources Directorate for central services.
82. The payroll system automatically calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions. The amounts payable are summarised on the gross to net pay report.
83. Authority to release payment for these amounts is delegated to Dorset Council under contract.
84. Dorset Council undertake suitable checks to test the accuracy of the payroll system and provide assurance under contract.
85. Once the payroll has been reviewed and approved, Dorset Council prepare the final information. The payroll and deductions elements of this are then pasted into a payroll journal pro-forma designed at the Trust. This is uploaded into the nominal ledger centrally by an approved officer, and reconciled against the actual payments made from the Trust's bank account.
86. Postings will be made both to the payroll control accounts and to individual cost centres and these will be reviewed monthly as part of the management accounts process. A supporting report showing staff level costs reconciling to the cost centre postings will be produced within 5 working days of the month end to support the analysis of costs.

87. Annually following performance management and any associated pay reviews, a pay statement is produced for each member of staff using data from the payroll system. A copy is sent to the member of staff for their records, and a copy is retained on the local personnel file.

#### **Salary advances**

88. Initio may provide salary advances in exceptional circumstances. Any advances require joint approval by the Headteacher and HR lead in the Resources Directorate.

#### **Overtime**

89. Overtime, additional hours or temporary work is to be worked and claimed in accordance with contracts of employment. It must be approved in advance by the employee's line manager with authorisation records retained.
90. Overtime is recorded by the individual on the Dorset Council online TTE system. The budget holder approves the claim on the TTE system.
91. Claim forms must not be submitted prior to work having been undertaken.
92. No payments for work undertaken will be made other than via the payroll system.

#### **Severance payments**

93. All severance payments must be authorised by the CEO as Accounting Officer. All requirements of the Academy Trust Handbook must also be met.

#### **Ex-gratia payments**

94. All ex-gratia payments must be authorised by the CEO as Accounting Officer. All requirements of the Academy Trust Handbook must also be met.

#### **Income**

##### **Department for Education grants**

95. The main sources of income for Initio are the grants from the Department for Education. The receipt of these sums is monitored by the CFO who is responsible for ensuring that all grants due to Initio are collected.

##### **Other grants**

96. The receipt of these sums is monitored by the CFO who is responsible for ensuring that all grants due to Initio are collected.

##### **Trips and events**

97. Trips and events should be run at cost price, although allowance can be made for administrative fees and additional staff cover. The Headteacher must approve any decision to subsidise a school trip or event.

98. Charges should be levied and voluntary contributions will be requested in accordance with the Charging and Remissions Policy.

### **Catering**

99. All payments by parents/pupils for lunches or breaktime snacks are made either directly to the caterer, or through a cashless catering system linked to the school's parental payment system which is paid directly into the caterer's bank account.
100. A monthly trading account is produced for catering which includes a review of the uptake and charges for free school meals.

### **Lettings**

101. Charges for external organisations using Trust facilities will be charged through a sales ledger account and invoice. VAT will be charged at the appropriate rate.

### **Sundry income**

102. Income from other sources (for example educational consultancy) is priced and contracted in consultation with CFO. VAT will be charged at the appropriate rate.

### **Bad debts**

103. Initio chases all monies due and unpaid within 30 days of an invoice being issued, through methods including telephone, email or letter, and may issue claims in the small claims court.
104. If it becomes clear that the debt will not be repaid, the Financial controller will submit a report for approval of write off.
105. The following write off limits apply:
- upto £5,000 – CFO
  - Over £5,000 – Resources Committee

### **Purchasing**

106. Initio must achieve value for money on all purchases. A large proportion of our purchases are paid for with public funds and we need to maintain the integrity of these funds by following the general principles of:
- Probity, it must be demonstrable that there is no corruption or private gain involved in the contractual relationships of Initio
  - Accountability, Initio is publicly accountable for its expenditure and the conduct of its affairs
  - Fairness, that all those dealt with by Initio are dealt with on a fair and equitable basis
107. All staff involved in procurement and purchasing should have due regard to the Trust's Code of Conduct and Anti- Bribery, Gifts and Hospitality Policy.
108. In support of these principles Initio will purchase goods and services through public sector framework arrangements where a suitable framework is available. Public sector procurement providers include the Crown Commercial Service (CCS), Eastern Shires Purchasing Organisation (ESPO), Yorkshire Purchasing Organisation (YPO), County Supplies (Hampshire), Dorset

## Procurement and the Crescent Purchasing Consortium (CPC)

### **Routine Purchasing**

109. Headteachers are the budget holders for their school. The CFO is the budget holder for the Trust central services.
110. The budget holders may further delegate the management of portions of their budget within their school but may not delegate responsibility.
111. It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent. Data detailing actual expenditure and committed expenditure against budget will be supplied to each budget holder each month.
112. The trust's funds must not be used for the purchase of alcohol, except where it is to be used in religious services, in accordance with the Academy Trust Handbook .

### **Requisitions and orders**

113. Requisitions and orders are not required for:
  - Premises or safety works deemed urgent by the CEO, CFO, Headteacher or other competent person
  - Cyclical or regular charges for:
    - Gas, electricity, water and sewerage services
    - Telephony calls and lines
    - Business rates and television licences
    - MFD leases and usage
    - Minibus leases
    - Supplies of services paid through payroll
    - Outsourced catering
114. A single annual requisition and purchase order is required for:
  - Premises and safety servicing and maintenance provided under contract
  - Service level agreements – broadband/connectivity and associated services
  - Service level agreements – ICT support
  - Service level agreements – Dorset County Council
115. Requisitions must be raised using the process advised by the Trust's Financial controller . Purchases will be routinely audited to ensure this control has taken place.
116. Purchases orders are raised within the finance system, which provides sequential numbering of the orders. The order can be e-mailed directly to the supplier from the system.
117. The invoice and any corresponding paperwork must be scanned and attached on the financial ledger to provide a full audit which can be carried out remotely, and used for checking purposes when the BACS run is done centrally.
118. Non order invoices (see paragraph 116) are processed into the financial ledger with a scanned authorised document attached. This provides a full audit of the requisition and approval process and any supporting paperwork.

119. BACS payments runs are done for all schools centrally. The Financial Controller will review the list of suggested payments from the purchase ledger and will review the supporting documentation which has been attached into the financial ledger to ensure that the goods/ services have been satisfactorily received and the invoice has been matched to purchase order OR the non-order invoice is authorised for payment.
120. A payment run will then be prepared centrally and uploaded into the bank. The release of payment requires two online authorisations in line with the banking instructions held by Lloyds.

### **E-procurement**

121. The CFO will hold a Procurement card to be operated on behalf of the Trust with a spend limit of £25,000. The expenditure on this card will be reviewed monthly by the CEO.
122. Each Headteacher will hold or allocate Procurement Cards on behalf of their school with an overall credit limit of up to £5,000. The CFO will hold or allocate Procurement Cards on behalf of the central Trust with an overall credit limit of up to £50,000. The expenditure on these cards will be reviewed monthly by the Financial Controller.
123. Each Procurement Card may have a cash withdrawal facility, limited to no more than £250 per month. This is to be used in emergencies or on school trips only.
124. Each cardholder is responsible for the purchases on their card and obtaining a supporting receipt .
125. Cardholders are responsible for the secure storage of the card. Any lost cards should be reported to the bank and to the Financial Controller immediately.
126. Cardholders must not share their card security details with another member of staff.
127. Embedded or virtual Government e-Procurement card arrangements with key contractors may be set up as an alternative method of settlement to BACS or direct debit. Such arrangements require authorisation in line with the bank mandate equivalent to direct debits.

### **Expenditure requiring a purchase order - less than £10,000**

128. Purchases of less than £10,000 total contract value excluding VAT can be approved by budget holders.
129. A supplier should be chosen from the list of approved suppliers maintained by the Financial Controller
130. At least one quote or price must always be obtained before any order is placed. Wherever possible the purchase should be made through call-off or further competition on an appropriate public sector framework.
131. If the budget holder considers that better value for money can be obtained by ordering from a supplier not on the approved supplier list the reasons for this decision must be discussed with and agreed by the Financial Controller.

### **Expenditure requiring a purchase order - over £10,000**

132. Purchases of over £10,000 total contract value excluding VAT require authorisation by the budget holder and Financial Controller.

133. The purchase should be made through call-off or further competition on an appropriate public sector framework.
134. Where no appropriate public sector framework is available at least three written quotations should be obtained.
135. [Removed]
136. There may be occasions when in the view of the Financial Controller it is in the Trust's best interest to proceed with a single quote from a preferred or incumbent supplier outside of a public sector framework. In such cases additional authorisation is required from the CFO .

#### **Expenditure requiring a purchase order - over £25,000**

137. Purchases of over £25,000 total contract value excluding VAT require authorisation by the budget holder, Financial Controller and CFO. Where the CFO is the budget holder, the expenditure requires authorisation by the Trust CEO.
138. The purchase should be made through call-off or further competition on an appropriate public sector framework.
139. Where no appropriate public sector framework is available at least three written quotations should be obtained, along with a record of how the principles of value for money have been met.
140. Purchasing must be completed in accordance with UK procurement rules where applicable.
141. There may be occasions when in the view of the CFO it is in the Trust's best interest to proceed with a single quote from a preferred or incumbent supplier outside of a public sector framework. In such cases the decision should be reported to the Resources Committee.
142. For high value or complex purchases, expert procurement support should be used.

#### **Related and connected parties**

143. Any trading with related and connected parties must be conducted and disclosed within the rules set out in the Academy Trust Handbook .
144. A Register of Interests is maintained for all Members, Trustees and Local School Committee members, and is published online in accordance with the requirements of the Academy Trust Handbook.

#### **Goods and services for private use**

145. No goods are ordered or services provided to include any elements of private use by Trustees, governance volunteers or staff other than ICT equipment and mobile phones. All use of ICT equipment must be appropriate and in accordance with Trust and school policies on acceptable use of ICT equipment. Data or call charges outside of inclusive allowances should be exceptional and will be reviewed by the Financial Controller and recharged to the user where this relates to personal usage.

#### **Insurance**

146. The Resources Committee reviews insurance arrangements annually as part of the annual risk

report. They ensure that the sums insured are commensurate with the risks and include cover for academy trust property when off the premises.

147. Initio will have due regard to the requirements of the Academy Trust Handbook with regard to the Risk Protection Arrangement when reviewing insurance arrangements.

### **Expenses**

148. There are Initio policies setting out arrangements for Local School Committee and Trustee Expenses and Staff Expenses.

### **Gifts**

149. Low value gifts to teachers or school staff from parents/carers should be managed in accordance with local school arrangements.
150. The Anti-bribery, gifts and hospitality policy sets out the Trust's full policy on the giving and receiving of gifts.

### **Fraud**

151. Initio does not tolerate fraud by Initio employees, Trustees or governance volunteers. Where instances of fraud are found the CEO as Accounting Officer will notify the Trust Board and the police. The Department for Education will be notified of any individual or cumulative instances over a financial year of fraud over £5,000 as required by the Academy Trust Handbook .
152. Initio employees should remain aware of fraud (including cyber-fraud) risk from third-parties and should act with due care and attention in all financial matters and the use of all ICT systems pertaining to the Trust.

### **Leasing**

153. Lease arrangements must comply with the Academy Trust Handbook and be reviewed by the CFO in advance of any commitment being made.

### **VAT**

154. The Financial Controller is responsible for submitting the VAT claim monthly and ensures compliance with HM Revenue and Customs for claiming the correct levels of VAT.

### **Fixed assets**

#### **Asset register**

155. All items purchased with a value over Initio's capitalisation limit of £20,000 (excluding VAT) must be entered on the fixed asset register.
156. Acquisitions of freehold and long leasehold land and buildings requires Department for Education approval.

#### **Disposals**

157. Disposals of freehold land and buildings or heritage assets requires Department for Education

approval.

158. Assets which are to be disposed of must be authorised by the Headteacher or CEO and, where significant, should be sold following competitive tender.

**Loan of Assets**

159. Items of academy property must not be removed from Initio premises without the authority of the Headteacher or the CEO. A record of the loan must be recorded in a loan book and booked back in the academy when it is returned.
160. If assets are on loan for extended periods or to a single member of staff on a regular basis the situation may give rise to a 'benefit-in-kind' for taxation purposes. Loans should therefore be kept under review and any potential benefits discussed with Initio's auditors.

## Appendix A1

### 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](#).

Type of transaction	Delegation
Novel, contentious and repercussive transactions	ESFA agreement required <a href="#">[5.6]</a>
Staff severance and compensation	ESFA agreement required if £50,000 or more before tax <a href="#">[5.11 and 5.16]</a>
Ex gratia payments	ESFA agreement required <a href="#">[5.18]</a>
Writing-off debts and losses (subject to £250,000 ceiling)	ESFA consent required if exceeds: <ul style="list-style-type: none"> <li>• 1% of annual income or £45,000 individually; or</li> <li>• 2.5% or 5% of annual income cumulatively <a href="#">[5.19 and 5.20]</a></li> </ul>
Entering into indemnities (beyond the normal course of business), guarantees or letters of comfort (subject to £250,000 ceiling)	ESFA consent required if exceeds: <ul style="list-style-type: none"> <li>• 1% of annual income or £45,000 individually; or</li> <li>• 2.5% or 5% of annual income cumulatively <a href="#">[5.19 and 5.20]</a></li> </ul>
Acquiring freehold land/buildings	ESFA agreement required <a href="#">[5.23]</a>
Disposing of a freehold on land/buildings	ESFA agreement required <a href="#">[5.23]</a>
Disposing of heritage assets	ESFA agreement required <a href="#">[5.23]</a>
Other asset disposals	Trust has full discretion <a href="#">[5.24]</a>
Taking up a finance lease not on the <a href="#">approved list</a>	ESFA agreement required <a href="#">[5.26]</a>
Taking up a leasehold on land and buildings	ESFA agreement if lease term seven years or more <a href="#">[5.26]</a>
Taking up any other lease	Trust has full discretion <a href="#">[5.25]</a>
Granting a lease on land and buildings	ESFA agreement required <a href="#">[5.26]</a>
GAG carry forward	No limits if trust eligible <a href="#">[5.29]</a>
Pooling by trusts with multiple academies	No limits (except <a href="#">PFI</a> ) if trust eligible <a href="#">[5.30]</a>
Loan, overdraft	ESFA agreement required <a href="#">[5.33]</a>
Credit cards (for business use)	Trust has full discretion provided charges not incurred <a href="#">[5.33]</a>
Supplies to the trust from related parties	ESFA agreement required over £40,000 and over associated limits in <a href="#">[5.42]</a> unless exempt as set out in <a href="#">[5.42]</a>

## **Appendix A2**

### **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.

Related parties include persons and entities with control or significant influence over the academy trust, and members of the same group (for example, parent and subsidiary companies, key management personnel and close family members).

The above description is not comprehensive. Find the full definition in:

- section 33 of Financial Reporting Standard 102
- section 9.15 and appendix 1 of the Charities SORP
- The related parties section of the Department for Education's Academies Accounts Direction provides further information.

### **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 1.45 to 1.48 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 for Education - 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 5.45 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 and, as reporting accountant, their regularity assurance review

5.40 The trust must keep sufficient records, and make sufficient disclosures in their 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 the Department for Education in advance of the contract or agreement commencing or being renewed, using the Department for Education's related party on-line form.

5.42 Trusts must obtain Department for Education's prior approval, using Department for Education'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 academy trusts. 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 the Department for Education, 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 or repercussive related party transactions are subject to separate arrangements. Trusts must obtain the Department for Education's prior approval for any contracts and other agreements with related parties that are novel, contentious or repercussive, regardless of value. Approval must be sought using the Department for Education's related party on-line form. Trusts should carefully consider the impact of this requirement and its relevance to transactions involving the board chair 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), 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), 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 for Education 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 or organisation and the trust must agree an appropriate sum to be paid to the trust for use or 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 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)

## **Appendix B**

The Trust operates a Lloyds Account for the Trust and each school under a single mandate. Dual Authorisation is required for any changes and the signatories may be:

- CEO
- CFO
- Financial controller
- t Senior Finance Business Partner

Day to day banking is carried out through Lloyds Commercial Banking Online (CBO) platform. Signatories on the bank mandate may be Primary Administrators, with finance staff having limited Administration rights as determined by the Financial Controller All payments require

two authorisations.

Investment of surplus funds is carried out using the Insignis Cash Solutions platform, in accordance with the Treasury Policy. All transactions require dual authorisation.