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**Southwark Diocesan**  
**Board of Education**  
**Multi-Academy Trust**  
Developing Church of England Education

# FINANCE POLICY HANDBOOK

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## FINANCIAL PROCEDURES POLICY

## 1. INTRODUCTION

The purpose of this manual is to ensure that the Trust maintains and develops systems of financial control that conform to the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements set within our Funding Agreement issued by the Secretary of State for Education, through the Education Skills & Funding Agency (ESFA).

The Trust receives much of its funding from the ESFA on behalf of the Department for Education (DfE). The funding agreement between the DfE and the Academies sets out the terms and conditions on which grant is made. The Trust Board ('the Board') is responsible for ensuring that the conditions of grant are met. Reference to the ESFA and DfE shall include any successor bodies.

The Trust must comply with the principles of financial control outlined in the ESFA's Academies Financial Handbook and Academy Accounts Direction. This manual expands on those documents and provides detailed information on the Trust's accounting procedures.

This manual serves as an extension to the Scheme of Delegation (SOD) and Scheme for Financial Delegation (SFFD) and provides information on the day-to-day operations, processes and expectations we have as a Trust. This manual should be read by all staff who have responsibility for any form of finance at both a school and Trust level.

## 2. ORGANISATIONAL OVERVIEW

The Southwark Diocesan Board of Education Multi-Academy Trust (SDBE MAT) was established in 2016 under the Academies Act 2010.

All Academy Trusts, including the Southwark Diocesan Board of Education Multi-Academy Trust (the Trust, SDBE MAT) to which your Academy belongs, have the same charitable objectives; 'the Advancement of Education'.

The Academies Act 2010 stated that from 1st January 2011 Academy Trusts would be exempt charities. This means that Academy Trusts are classified as charities but do not need to register with the Charity Commission and therefore do not have registered charity numbers. The Charities Commission delegates the responsibility to the Department for Education (DfE) / Education Skills Funding Agency (ESFA) to set and monitor the Company's reporting and regulations.

In addition to being an exempt charity, the SDBE MAT is a company limited by guarantee. The SDBE MAT, as a Company, must comply with Company Law, as well as pronouncements by the DfE/ESFA and accounting convention defined by the Statement of Recommended Practice (SORP).

## 3. COMPANY INFORMATION

The Trust is an exempt charitable company limited by guarantee.

**Registered Name:** SDBE Multi-Academy Trust  
**Registration Number:** 10385920  
**Registered Office:** 48 Union Street, Southwark, London, SE11TD

## 4. PURPOSE OF THIS DOCUMENT

This document details the Trust's financial procedures and sets out the financial management requirements of the Trust. This document should be read in conjunction other policies contained within the Finance Policy Handbook.

## 5. EFFECTIVE DATE

This handbook is effective from 1<sup>st</sup> September 2021. The controls and procedures are constantly under review and relevant changes will be reflected in updates of this handbook.



## 6. KEY CONTACTS

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## 7. OUR VISION & MISSION

### VISION

Our vision is to establish a culture and context in which schools can grow and flourish and provide an excellent education with Christian values at its heart.

We will seek to enable all children and young people in our schools to realise their God-given potential, aspire to exceed their expectations and to build a Christ-centred community.

### MISSION

To be a high performing Diocesan Multi-Academy Trust which promotes excellence, inclusion and diversity;

In partnership with the Southwark Diocesan Board of Education, to lead schools rooted in Christian values;

To enable a strong collaborative approach between schools which enriches and develops best practice and celebrates success;

To enable the mission of God through the work of the Diocesan Multi-Academy Trust:

To provide exemplary service to its schools in partnership with the Southwark Diocesan Board of Education.



## 8. OUR GOVERNANCE STRUCTURE

### 8.1. THE MEMBERS

The Members protect the Christian Character, Ethos and Values of the Trust, as well as the Charitable and Educational objectives. They take part in annual and extraordinary general meetings and appoint the Directors to the SDBE MAT Board.

As the MAT is designed to be an extension of the Southwark Diocesan Board of Education, the Director of Education for the Board of Education will also act as a Director (not a Member) of the Southwark Diocese Multi-Academy Trust.

This role will play a crucial part in ensuring that the SDBE MAT remains closely aligned with the vision and values of the Southwark Diocese.

### 8.2. THE DIRECTORS (THE BOARD)

The legal powers and responsibilities of the Trust are held with the Southwark Diocesan MAT Board who are accountable to the Department for Education and the Southwark Diocesan Board of Education.

As a group, the Board set the overall strategic direction of the Trust. They scrutinise, challenge and support our educational and operational performance data, stability, and emerging risks/opportunities. Accordingly, the Board delegate certain powers and duties to our Local Governing Bodies. This delegation is explained in our Scheme of Delegation (SoD). The Board comprises some representatives from our schools and has a healthy balance of corporate and educational professionals who are each able to bring different perspectives and ideas to the table.

The Directors have overall responsibility and ultimate decision making authority for all the work of the Company, including the establishing in each of the academies a Local Governing Body as a sub-committee of the Board. Their responsibility and control is largely exercised through strategic planning and the setting of policy. It is managed through business planning, monitoring of budgets, performance management, the setting of standards and the implementation of quality management processes. The Directors have the power to direct change where required to ensure that the Object, Purpose and Ethos of the Company are met.

The Directors delegate their responsibilities for the day-to-day operation of

each Academy and the whole of the funding granted by the DfE for the benefit of that Academy directly to a Local Governing Body (LGB) through a Scheme of Delegation (the Scheme). The Headteacher or the equivalent person of each Academy is an ex officio member of the LGB. A single LGB may manage more than one Academy but the funding granted for each Academy must be applied only to that Academy subject to the requirements of the Scheme. A Multi Academy Trust (MAT) has greater flexibility over the use of accumulated reserves.

### 8.3. FINANCE & RESOURCES COMMITTEE

The Finance and Resource Committee is a committee of the Board of Directors meeting at least once a term. The Board delegates many of its financial responsibilities to be carried out by the Finance and Resource Committee. The responsibilities of the Committee are detailed in written terms of reference which have been authorised by the Board of Directors.

Monitoring of the Trust's financial position is a key function of the Finance and Resource Committee. The committee will examine annual estimates and accounts and recommend their approval to the Board. It will ensure that short term budgets are in line with agreed longer term plans and that they are followed. Similarly, it considers and makes recommendations to the Board on the allocation of resources. It will consider any other matters relevant to the financial duties of the Board and make recommendations accordingly. The committee will also ensure that the Board has adequate information to enable it to discharge its financial responsibilities and in particular will advise on the financial implications of matters referred by other committees.

### 8.4. AUDIT & RISK COMMITTEE

The Audit & Risk Committee is a committee of the Board of Directors. It meets at least once a term and is responsible for providing assurance to the Board on the adequacy of financial controls within the Trust. The Audit Committee will commission a programme of internal assurance testing to be carried out by the External Auditors to support them in their role. The Audit Committee receives the reports of the external auditor in respect of both internal and external audits. The responsibilities of the Committee are detailed in the terms of reference which have been authorised by the Board of Directors.



## 8.5. LOCAL GOVERNING BODIES

Local Governing Bodies are the key strategic decision makers and vision setters in every school and academy. They are also a key part of the overall system for school accountability. Governing Bodies have a vital role to play in promoting and protecting the school's Christian Character, driving up school and pupil performance and ensuring that resources are used well to give every child the best possible education. Based on the role the SDBE MAT Board Members play in the direction of the Trust, Governors perform a similar duty in their own respective schools. They are an extension of the SDBE MAT Board and are responsible for the day-to-day running of their schools.

The SDBE MAT Board is accountable to the Department for Education and Diocesan Board of Education, as such, we need to have absolute clarity on the role each party plays to ensure we maintain our strong accountability framework. We achieve this through the Scheme of Delegation. Protecting a school's autonomy will underpin the decision making processes and we will assume that all schools have earned their right to be autonomous. Where a school is not performing as well as is expected, some delegated responsibilities may be withdrawn until the school is secure again.

The governing body of each academy must manage their delegated budget in accordance with the Trust's requirements on controls and monitoring of finance as set out in this manual and the Scheme of Delegation.

## 8.6. THE TRUST LEADERSHIP TEAM

The Chief Executive Officer (CEO) and Chief Operating Officer (COO) are held to account by the SDBE MAT Board who, in turn, are held to account by the Department for Education.

The Chief Operating Officer reports to the Chief Executive Officer and has day to day responsibility for the operation of the Trust, both educationally and operationally.

## 8.7. HEAD OF FINANCE (HOF)

The Trust have appointed a Head of Finance. Day to day financial administration is the responsibility of the Head of Finance who is held to account by the Chief Operating Officer.

## 8.8. FINANCE & OPERATIONS BUSINESS PARTNER (FOBP)

The Finance & Operations Business Partner provides strategic high-level financial and operational advice to Academies and supports them with their financial management and reporting, ensuring each Academy makes the best possible use of available resources.

## 8.9. THE TRUST FINANCE TEAM

The collective name for all 'central' Finance staff based at the SDBE MAT offices in Union Street, Southwark.

## 8.10. ACCOUNTING OFFICER (AO)

The Trust have appointed the Chief Executive Officer (CEO) as the designated Accounting Officer (AO). The CEO is also a member of the Board.

The Accounting Officer is responsible to Parliament and to the Accounting Officer of the ESFA for the resources under their control. The essence of the role is a personal responsibility (that cannot be delegated) for assuring The Board that there is compliance with the Financial Handbook, the Funding Agreement and all relevant aspects of company and charitable law; for the propriety and regularity of the public finances for which they are answerable; for the keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; for ensuring value for money; and for the efficient and effective use of all the resources in their charge. The Accounting Officer must be able to assure Parliament and the public of high standards of probity in the management of public funds.

The Accounting Officer must advise the Board of Directors in writing if, at any time, in his or her opinion, any action or policy under consideration by the Board is incompatible with the terms of the Academies Financial Handbook or Funding Agreement. Similarly, the Accounting Officer must advise the Board in writing if the Board appears to be failing to act where required to do so by the terms and conditions of the Academies Financial Handbook or Funding Agreement.

Where the Board of Directors is minded to proceed, despite the advice of the Accounting Officer, the Accounting Officer must consider the reasons the Board gives for its decision. If, after considering the reasons given, the Accounting Officer still considers that the action proposed by the Board is in breach of the Handbook or Funding Agreement, the Accounting Officer must



advise in writing the ESFA's Accounting Officer of the position.

## 9. AUDITORS - (INTERNAL, EXTERNAL & OTHER)

Auditors shall have authority to: access Trust premises at reasonable times, access all assets, records, documents and correspondence relating to any financial and other transactions of the Trust, require and receive such explanations as are necessary concerning any matter under examination, require any employee of the Trust to account for cash, stores or any other Trust property under his/her control, access records belonging to third parties, such as contractors, when required.

Whenever any matter arises which involves, or is thought to involve, irregularities or fraud concerning cash, stores or other property of the Trust or any other suspected irregularity in the exercise of the activities of the Trust, the manager concerned shall notify the Head of Finance who will deal with matters as set out in the Trust's policy on fraud and irregularity.

Following consideration of audit matters by the Accounting Officer, the accounts should be approved by the Finance and Resource Committee. On the recommendation of the Finance and Resource Committee and Accounting Officer they will be submitted to the Board for approval.

The appointment of auditors will take place annually and is the responsibility of the Members.

The Trust may, from time to time, be subject to audit or investigation by external bodies such as the ESFA, DfE, National Audit Office, HM Revenue and Customs. They have the same rights of access as external and internal auditors.

### 9.1. INTERNAL AUDIT

The internal audit programme is set annually by the Audit & Risk Committee. The committee will appoint an appropriate body to undertake this work on behalf of the Trust.

The internal auditor is responsible for carrying out an annual internal audit of each academy's financial processes, procedures and accounting records. The controls that are expected are included within this document.

The internal auditor(s) work in conjunction with the Trust Finance when reviewing audit findings and deciding upon actions going forward. When necessary, this will include a follow up support visit from a member of the

Trust Finance.

The lead internal auditor will discuss the findings of the internal audit at a closing meeting with the Business Manager and Headteacher in attendance. These findings are subject to the Trust's review. Academies can expect the internal audit report to be finalised and sent to them within three weeks of the date of their audit.

Once finalised, audit reports are reported in detail to the Trust Audit & Risk Committee.

The academy must provide responses to the audit findings shown on the Summary of Recommendations. The Summary of Recommendations will be emailed to the academy at the same time as their internal audit report. The annotated Summary of Recommendations must be signed by the academy's Chair of Governors and Headteacher and sent back to the Trust within three weeks of receiving it.

Where financial irregularity is suspected or discovered, academies are to notify the Trust Leadership Team immediately, who in turn will inform the ESFA where appropriate.

### 9.2. EXTERNAL AUDIT

The Trust Board of Directors appoints an external audit firm (currently Buzzacott) to perform the annual statutory audit. The external auditors are responsible for completing the statutory audit of the consolidated accounts prepared by the Trust Finance Team.

The external audit team can potentially visit the academies, and this may be at any time. The academy will be notified by the Trust Finance Team if this is the case. The areas tested may not always be notified to the academy in advance and could include an element of surprise.

Internal and external auditors have right of access to any document, information or explanation they require, including computer hardware and software, from any member of staff or governor in order to carry out their duties (subject to statutory constraints). This right is not limited to financial information or accounting records.

## 10. PROVISION OF FINANCIAL INFORMATION AND REPORTS

Academies will be required to provide the Trust with details of anticipated and actual expenditure and income, in a form and at times determined by the Trust. A calendar with deadlines will be issued annually to all academies, with updates throughout the year.

Academies must maintain up to date and accurate records of their anticipated and actual expenditure, income, bank and cash balances in the accounting software Access Education (formally known as HCSS Accounting), as used by the Trust. The use of this package will enable the Trust to complete financial reports for the Board and Committees as and when required.

## 11. FINANCIAL PLANNING

The Trust prepares annual and rolling 3 to 5-year budgets which inform financial planning.

### 11.1. THE BUDGET CYCLE

The budget cycle is as follows:

Autumn term (Sept – Dec)	Implementation of current budget plan Monitoring income & expenditure (monthly) against budget Reconciliation and closure of previous financial year
Spring term (Jan – Mar)	Monitoring income & expenditure (monthly) against budget Revise Budget to a forecast of outturn Pre-planning new financial year
Summer term (Apr – Aug)	Review of current year's budget planning for forthcoming year Preparation and submission of financial budget plan for the forthcoming year

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

### 11.2. BUDGET

The Scheme of Delegation states the Board of Trustees (the Board) shall

approve individual academy budgets and the overall MAT budget plan for the year. The budget for each academy must therefore be developed and eventually proposed by the Local Governing Body (LGB) to the Trust Board.

The Finance Team will lead on the overall planning process in terms of reporting timetables and any key assumptions. The Finance Team will provide an appropriate level of challenge and support to individual academies prior to submission of budget plans to the Trust Board.

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

The budgetary preparation process will incorporate the following elements as a minimum requirement:

- latest estimate of other ESFA funding e.g. Universal Infant Free Meals, Pupil Premium, Yr7 Catch-Up and other specific funds
- review of other income sources available to the academy to assess likely level of receipts
- forecasts of the likely number of pupils to estimate the amount of General Annual Grant
- review of staffing structures and known factors affecting the level of pay and pay related costs
- review of the buildings conditions reports for planned maintenance and capital projects required
- review and analysis of past performance against budgets to promote an understanding of the academy costs
- review of the main expenditure headings considering the development plan objectives and the expected variations in cost e.g., pay increases, inflation, and other anticipated changes
- amount for the Support Cost Contribution to the MAT
- all carry forward balances and any unspent grants from the previous financial year
- Identification of potential efficiency savings using benchmarking data where available.
- Review of contracts and SLAs to ensure Best Value, best fit

Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding.



If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where efficiencies can be made. This may entail prioritising tasks and deferring projects until more funding is available.

Plans and budgets will need to be revised realistically until income and expenditure are in balance.

If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need in accordance with the School Development Plan.

Academies are provided with, and required to use, the Access Education Budgeting software tool. This allows academies to undertake scenario planning activity to refine budget plans and forecasts.

All income and expenditure included in the budget is exclusive of VAT.

The Trust is currently not VAT registered and specific rules may apply to business related activities (as defined under VAT rules). Finance staff will provide additional information and advice as required.

The Finance & Operations Business Partner will work with schools to provide support and additional scrutiny of the budget proposed prior to submission.

Academies will 'submit' their budgets to the Finance Team via reference to a named budget scenario in their Access Education Budgeting System. The Finance Team will specify a name for the budget scenario to use. No other means of submitting budget plan data will be accepted.

The Finance Team will use Access Education Budgeting software to generate the consolidated budget for the Trust.

The final approved budget plan scenario will be 'locked' and 'published' in Access Budgeting at the start of the new financial year. When a scenario is locked in Access, this makes it read only and cannot be edited. This preserves a record of the original approved budget in the system. When a scenario is published in Access, this makes it visible to the consolidated budget for the Trust.

Income and expenditure budgets should be profiled (i.e., spread over 12 months) as accurately as possible in the budgeting software to reflect when

the income/ expenditure is likely to be recorded.

### 11.3. ORIGINAL BUDGET

The budget plan approved by the Trustees for the financial year is referred to as the Original Budget. This represents the financial plan agreed, based on the material assumptions described in the plan at the time. As the year progresses there may be changes to the budget plan which will need managing and reporting.

### 11.4. BUDGET VARIANCES

Monthly financial monitoring reports should compare the actual income and expenditure recorded for the cumulative period ("year to date") to the Original Budget for the same period. The difference between the actual and the budget is called the budget variance.

The variance is therefore a measure of deviation from the financial plan.

All budget variances should be reviewed, understood and investigated by the school finance staff and reported accordingly.

Variations may arise due to a difference in the period when the budget plan had profiled the income / expenditure to occur and when it happens. If the full year budget is still expected to be the same amount, then this variance is known and reported as a 'timing difference' and no management action is required.

Other variances may require management action to be taken to ensure the year end position is understood and controlled.

### 11.5. CHANGES TO BUDGET – VIREMENTS

During the year, the Headteacher is empowered to manage budgets by effecting virements between individual budget headings.

Virements are simply internal re-allocations of budgeted funds to different line items **which do not affect the overall bottom line.**

*For example, if a teaching post was budgeted for under staff costs, but it is agreed that the post is covered by supply for a period then it may be helpful to transfer an equal and opposite amount from the teaching budget to the*



agency supply budget, the amount being as agreed with governors. By doing the virement, the future monitoring of the budget is against the revised budget.

Virements should only be made for significant items and with a minimum limit of £1,000. A record shall be kept of each virement on a schedule provided by the Trust.

The Scheme for Financial Delegation sets out virement limits and required approvals as follows:		
Value	Delegated Authority	Method
Up to £10,000 for a single transaction or £50,000 aggregate	Headteacher	Virements of <b>any amount</b> must be <b>disclosed</b> to the LGB Finance Committee.
Over £10,000 for a single transaction or £50,000 aggregate	LGB	Must be <b>approved</b> by the LGB Finance committee.

A virement form is available in electronic form from the SDBE MAT website which contains an example of how the form would be completed.

All virements must be disclosed to the LGB and minuted accordingly.

Finance staff should retain all virement forms as a register for evidence and audit trail.

Once approved, virements are reflected in the Access Education Budget software and thereafter the budget is known as the Current Budget. The current budget is used for monitoring purposes at both school and Trust level.

#### 11.6. FORECAST OF OUTTURN

Academies are required during the year to maintain and report a full year 'Forecast of Outturn' for each budget category.

This forecast of outturn is prepared in the Access Budgeting module. Academies start the financial year with a copy of the original budget scenario

in Access and update this scenario regularly with staffing changes and any other changes to budget categories. This scenario remains in the Access Budgeting module so as not to confuse budget monitoring (which is extracted from Access Education Budget) against the Original Budget approved by the Board of Trustees.

The forecast will reflect any changes to the actual income and expenditures which are expected to occur and will indicate whether a budget category is expected to be over / on / under the current budget at the end of the financial year. At all times this should reflect the best information available and include the predicted level of balances to carry forward to the next financial year.

A full commentary must be maintained by academy finance staff explaining the reasons for the financial position, i.e., variances to budget and forecast of outturn. This will be requested by the Trust at intervals according to the annual financial planner.

Monitoring and analysis of the agreed budget should be carried out on a monthly basis by the Finance staff and the Headteacher. Where significant variations to the agreed budget are identified or where a number of substantial virements have been made, the school will be asked to submit a revised budget for approval by the Board of Trustees.

This will be triggered when projected reserves in the revised budget are 50% less than budgeted.

If approved, the revised budget will then form the basis of analysis of all income and expenditure for monitoring and forecasting. The FOBP will meet the school staff on a monthly basis to monitor the revised budget until the financial year end.

#### 11.7. REPORTING TO ESFA - BUDGET FORECAST RETURN AND OUTTURN

As part of the funding agreement with the DFE, multi-academy trusts must submit Budget Forecast Returns to the ESFA.

The Budget Forecast Return (BFR) is a return to the ESFA for the consolidated budget for the MAT as a whole. The approved budget must be submitted to ESFA by the end of July (on the date announced by the ESFA) each year by the Trust Finance team. The Trust Finance team is responsible for establishing a timetable for academies, which allows sufficient time for the Trust Board to review and approve reports and ensures that the submission date is met.



The ESFA have announced a requirement to submit 3-year projections with the BFR from 2018. Academies will use the Access Budgeting software tool to prepare this information.

The Budget Forecast Return of Outturn (BFRO) is a return to the ESFA which provides the actual financial performance to 31 March and an updated forecast of outturn to the current year budget. The BFRO must be submitted to the ESFA by their published deadline, usually a date in May. The BFRO is a consolidation of the MAT academies and Central budget.

New academies joining the Trust will be required to prepare a part year budget. This budget covers the period from the month when they convert to the following 31 August. The FOBP will provide support to new schools in the production of this budget. The budget is expected to be produced within 6-8 weeks of conversion.

The Trust Finance team is responsible for ensuring the submission is made to the DfE in line with ESFA reporting requirements.

## 12. TRUST REPORTING - MONITORING AND REVIEW

Monthly monitoring reports and information are prepared by finance staff and known as the Management Accounts.

The reports include (as minimum):

- actual income and expenditure against original budget (shown cumulatively) with notes to explain variances;
- Full year Forecast of Outturn income and expenditure against the Current Budget, showing the reserves balance to carry forward, with notes to explain variances;
- Revenue and Capital are reported separately;
- Supporting documents should be provided if further analysis is required;
- A cash flow forecast.

Monitoring reports should be taken from the Access Education Budget module which compares original budget against actuals for income and expenditure. Monitoring reports are reviewed by the relevant LGB committee.

LGB/Finance committee minutes should record the level of challenge provided by the LGB and any decisions taken.

The monitoring reports and accompanying documents are uploaded to the Trust Finance Team by the Academy via the ADaM portal in line with reporting timetables each year.

The COO and Trust Finance Team will report financial information to the Trust Board throughout the year based on the information submitted by schools.

## 13. OTHER GOVERNMENT FUNDING

In addition to revenue grant funding from ESFA the academy/MAT may be awarded specific funding for other projects e.g. Condition Improvement Funds. 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 externally on an annual basis.

There will be a named person responsible for recording income and expenditure for each grant awarded as per the original application. At school level this will be the Headteacher.

The academy/MAT may be awarded additional grants from time to time relating to specific projects e.g. Sport England Funding, Football Foundation Funding, Charitable Grants etc.

Applications for additional external funding over £10,000 must have the prior approval of the Trust Leadership Team prior to submission of the application.

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 externally on an annual basis.

## 14. REVIEW OF REGULARITY

The Chief Executive (in their role as Accounting Officer) reviews the following documents termly to ensure the Academy Trust is working within the boundaries of regularity and propriety:

- reviews management accounts;
- reviews compliance against the scheme of delegation;
- reviews transactions for evidence of connected party transactions;



- value for money practice.

The Accounting Officer is supported by the Chief Operating Officer with the discharge of these responsibilities. The CEO delegates the following responsibilities to the Chief Operating Officer:

- adherence to tendering policies;
- review of transactions ensuring they are in line with delegated authorities as set out by the Academies Financial Handbook;
- review of Trustees/governors' minutes.

## 15. ANNUAL ACCOUNTS – FINANCIAL STATEMENTS

The Academies Accounts direction (<https://www.gov.uk/guidance/academies-accounts-direction>) explains the requirement in further detail.

The Trust must prepare annual externally audited financial statements for the accounting period to 31 August. The accounts are prepared for audit in house by the Trust's Finance Team.

The accounts are then submitted as follows:

by 31 December – to ESFA

by 31 January – published on the MAT website

by 31 May – to Companies House

The Trust Finance team will prepare a timetable to ensure schools meet reporting deadlines and we remain compliant with our statutory reporting deadlines.

### 15.1. VALUE FOR MONEY STATEMENT SHOULD WE INCLUDE A BRIEF BEST VALUE STATEMENT ALSO?

As part of the annual accounts, the Trust must include up to 3 focussed examples of value for money. The Finance Team is responsible for collating the examples which are then reviewed by the Finance Committee.

### 15.2. WORK UNDERTAKEN DURING ACCOUNTING PERIOD

The Trust Finance team is responsible for ensuring the following tasks are undertaken across the Trust during the year to facilitate a smooth year-end audit process:

- reviewing the structure of the trial balance;

- maintaining fixed asset registers;
- calculating 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;
- balance sheet control account reconciliations (bank, wages, debtors, creditors);
- maintaining a record of meeting attendance;
- monitoring and reporting to the Accounting Officer and Board of Trustees.

### 15.3. WORK UNDERTAKEN FOR THE YEAR END

The Trust Finance team is responsible for ensuring the following tasks are undertaken at the end of the year to facilitate a smooth audit process:

- stock take and including of year end stock value
- prepayments for expenditures
- prepayments or accruals for grant income
- control account reconciliations (bank, wages, debtors, creditors)
- close down of the purchase ledgers
- close down of the sales ledgers and aged debtors
- pension valuations
- Pension Audits

The work undertaken at each month end is designed to be as comprehensive as possible to make the year end tasks easier.

### 15.4. ANNUAL ACCOUNTS RETURN

As part of the funding agreement with EFSA, the academy Trust must prepare annual accounts return (AR) for the accounting period to 31 August, which is submitted to the ESFA by their published deadline, usually mid-January.

The preparation work for the accounts return is carried out on our behalf by our auditors for the Trust to review prior to submission to the ESFA.



## 16. DOCUMENT RETENTION

Certain documents must be retained in case of future inspection. Financial records must be retained for 7 years i.e., current year plus 6 preceding.

The Trust has a Document Retention Policy which should be read in conjunction with this manual.

## 17. BACK-UP PROCEDURES

The Trust has a disaster recovery plan which explains what to do in the event of loss of accounting facilities or financial data.

## 18. ACCOUNTING SYSTEM

All the financial transactions of the academy Trust must be recorded in the Access Education software. The use of this system is prescribed by the Trust.

Access to the system is password restricted to academy finance staff and others who have been authorised by the Trust Finance Team e.g., external accounting providers.

Passwords must be changed regularly.

### 18.1. TRANSACTION PROCESSING

All financial transactions must be authorised in accordance with the procedures specified in this manual.

The Trust Finance team prescribe the list of nominal ledger and fund codes which are used across the Trust within the Access Education system.

### 18.2. ACCRUALS

Under the Academies Accounts Direction, accounts are prepared on the accrual's basis.

The accruals basis is an accounting concept which requires that transactions should be reflected in the accounts for the period in which they occur and not simply in the period in which any cash involved is received or paid out.

In the Access Education system, accounting adjustment journals will be made

for accrued income or expenditure, deferred income and prepayments and these will be advised as part of the Period End procedure guidance issued by the Trust Finance team.

At month end, schools should accrue for expenditure for amounts of £1,000 and over, per ledger code, where the goods/services have been received but the invoice has not yet arrived. The accrual should be reversed in the following period when the invoice arrives.

Schools should seek advice from the Trust Finance team with regard to prepayments and deferred income treatment of transactions in the accounts. This arises where an invoice is paid for, e.g., an annual contract or, income is received in advance and the accruals basis requires the transactions are spread over or matched to the periods they cover, not simply when the cash is paid/received.

Access Education has a journal type which facilitates accruals accounting and marks the journal as an accrual journal. NB: An accruals journal used in periods 12 and 13 will automatically reverse into period 1 of the following year.

The Trust Finance team will post all transactions and journals which relate to ESFA government grant income, i.e., rates relief, Pupil Premium, UIFSM, Primary PE Grant, Year 7 Catch Up premium.

At year end, in consultation with our auditors, the accruals basis will be applied to all relevant transactions irrespective of amount.

### 18.3. CONTROLS AND RECONCILIATIONS

The school Finance staff must follow the period end checklist supplied by the Trust.

This ensures consistency of accounts preparation across the Trust and forms an integral part of the internal control framework.

Finance staff are 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 balances per the nominal ledger to all bank statements

The Headteacher (of the Academy) and Chief Operating Officer (for Head Office) will sign all reconciliations as evidence of review as part of the month end checklist.

The completed checklist is then uploaded on to the ADaM portal provided by the Trust by the designated deadline which the Trust will advise. All areas of the checklist must be responded to.

Any unusual or long outstanding reconciling items are brought by the Headteacher to the Trust Leadership Team for appropriate action.

The FOBP will review submitted checklists on a regular basis for compliance and to identify academies where additional support may be required with the completion of period end processes.

## 19. CASH MANAGEMENT

### 19.1. BANK ACCOUNTS

The following procedures must be followed when opening a bank account and operating it:

- the Trust is responsible for selecting the banking institution and negotiating the terms and conditions;
- the Trust must authorise the opening of all bank accounts;
- the academy must advise the Trust Finance team immediately in the event of changes to key personnel or governors/Trustees;
- signatories will be changed immediately, and the bank notified. Any on-line access to banking will also be removed;
- terms of arrangements, including cheque signatories or BACS authorisations and the operation of the accounts must be formally recorded by the Trust;
- the Trust must inform the bank, in writing, that their accounts must not become overdrawn;
- schools must ensure there are sufficient funds to cover payments.

School and Trust Finance staff have access to the electronic banking system in

order to view transactions and generate and authorise on-line payments.

Access to the Bank system is controlled via user accounts, passwords, smartcards and card readers. It is the responsibility of each individual to maintain security of their passwords and cards/card readers.

The Trust Finance and Leadership Team have administrator roles for all the online bank accounts for all schools in the Trust. They are responsible for the setup of new users and granting access rights.

Academies must not have any bank accounts other than those that the Trust has visibility and knowledge of. All bank accounts are held at Lloyds Bank.

### 19.2. BANK DEPOSITS

A deposit must be entered on a Lloyds paying-in slip.

Information on the slip should provide analysis of:

- the amount of the deposit
- a reference (for example, the number of the receipt or the name of the debtor)

Finance staff are responsible for updating the accounting system for deposits placed.

### 19.3. PAYMENTS AND WITHDRAWALS

All cheques and other instruments authorising withdrawal from academy bank accounts must bear the signatures of two of the authorised signatories.

This provision applies to all accounts, public or private, operated by or on behalf of the governing body of the academy including funds held in Trust.

Segregation of duties should be in place so that a signatory does not sign a cheque/approve a payment relating to goods or services for which they have also authorised the expenditure.

#### 19.4. PAYMENT THRESHOLDS

(As defined within the Scheme for Financial Delegation)

Individual payments to any supplier must be signed by two individuals within the delegated authority column.		
A sufficient pool of signatories should be established (including electronic signatories) so that payments are not held up.		
Value	Delegated Authority	Method
Up to £50,000	Two signatories required among the Headteacher, Deputy Headteacher, or Business Manager	Cheques or payment notification must be accompanied by authorised supporting documentation.
£50,001 to £100,000	Two signatories required among the Headteacher, Deputy Headteacher, or Business Manager including one from either the CEO or COO.	
Above £100,000	Two signatories required among the Headteacher, Deputy Headteacher, or Business Manager including one from the CEO.	

Finance staff are responsible for updating the accounting system for payments/withdrawals.

#### 19.5. BANK STATEMENTS AND RECONCILIATION

The Trust Finance team receives bank statements from Lloyds and distributes these to schools via the ADaM portal.

Reconciliations are performed by the schools at least monthly. Reconciliation procedures must ensure that:

- all bank accounts are reconciled to the academy's cash book
- reconciliations are prepared by the appropriate finance staff
- adjustments arising are dealt with promptly

The period end checklist sets out the requirement to carry out the bank reconciliations and the Headteacher reviews and signs as part of this process. Headteachers must initial and date the bank statement as being seen as well as the reconciliation.

#### 19.6. PETTY CASH

Schools are discouraged from holding petty cash. It is expected that small value transactions from staff will be reimbursed via a staff expense claim and paid directly in to bank.

Similarly, the use of the school Charge Card enables online purchases.

Schools wishing to operate a petty cash system should seek approval from the Trust Leadership Team. If approved, the school may maintain a maximum cash balance of £100 for the purchase of minor items, which is held in a safe and is the responsibility of academy finance staff.

The petty cash float must not be used for cashing personal cheques.

Payments are only made on production of a valid till receipt or other proof of payment and are subject to the same authorisation procedures as purchases from the main bank account.

VAT receipts should be obtained where possible for petty cash expenditures. The petty cash float is maintained using an Imprest system and the float is only reimbursed from the main bank account.

The person responsible for the fund replaces any fund expenditures with enough money to return the account to the exact amount of its original level.

The petty cash float is reconciled monthly by the academy finance staff. The reconciliation is then reviewed by the Headteacher and initialled as evidence of review.

The Trust Finance team may carry out a spot check of the petty cash float.

#### 19.7. E-PROCUREMENT & PAYMENTS

The Trust has a Charge Card Policy which should be read in conjunction with this manual.

The school charge card (via Lloyds Bank) is used only when it is not practical to use the purchase order/cheque system or to gain significant value for money benefits. It is used mostly for internet purchases and to buy fuel for minibuses.

Schools apply for a charge card by completing the relevant Lloyds Bank form



and the Trust's Charge Card User Agreement form. These are submitted to the FOBP who will submit the forms to the Trust Leadership Team for consideration and approval.

The card should be kept in the safe and is only used by authorised personnel.

Staff/budget holders wishing to make a purchase chargeable to the card should complete an order form and pass this to the school's finance team to make the purchase.

All order forms detailing the purchase must be signed by the Budget Holder.

When the Lloyds Charge Card statement arrives, there will be a signed order form relating to each entry on the statement and a VAT invoice is required for all purchases.

A journal is keyed for each entry on the statement to ensure correct coding against budget categories and for VAT recording purposes.

#### 19.8. BACS PAYMENTS

On receipt of an invoice, the budget holder or whomever the academy's segregation of duties procedures stipulates, signs the invoice, to signify:

- an official purchase order has been raised for the purchase (if applicable)
- the delivery note has been checked
- the delivery is of correct quantity, quality and price
- it has not been previously paid
- funds are available in the relevant budget
- VAT chargeability on qualifying expenditure is shown

Invoices are keyed into the Access Education module.

A BACS payment run file is prepared in Access. The BACS payment file is uploaded to the Lloyds Bank online system and requires two of the authorised signatories who log in and check the details to approve the payment.

Paper copies of the BACS run are made, signed as a record of the authorisation and are filed within the school.

Suppliers' bank account details are maintained by school staff. Any requests to change these details must be treated with caution and staff must be alert to attempts to create fraud.

Lloyds Bank provide advice in the Fraud Risk leaflet on Invoice Fraud. Staff should telephone a supplier directly as confirmation of any informal request to change bank details. Staff should request a letter on company letterhead, signed by a director or equivalent, as confirmation. Companies are used to this request for genuine changes of bank account details.

#### 19.9. PAYMENTS TO INTERMEDIARIES (IR35 LEGISLATION)

Finance staff should ensure that evidence is kept of the employment status test criteria applied, when dealing with payments to individuals (under IR35 rules). IR35 legislation was introduced in 2017 under the Finance Act 2017. IR35 seeks to determine if an individual is working off-payroll for PAYE purposes. The off payroll working rules are in place to make sure that where an individual would have been an employee if they were providing their services directly, they pay broadly the same tax and NICs as an employee.

Where an individual has been assessed as self-employed, Finance staff should request that the individual states his/her self-employment reference number on any invoice issued to the school. This can be a complex area. HMRC have guidance on their website. If further advice is required, academy finance staff should contact the Head of Finance.

#### 20. INVESTMENTS

The Trust has an Investments Policy which should be read in conjunction with this manual.

#### 21. RESERVES

The Trust has a Reserves Policy which should be read in conjunction with this manual.

The Chief Executive as Accounting Officer must inform the ESFA immediately if a deficit is anticipated for the MAT.

The Trust may not set a deficit budget without informing the EFSA within 14 days of its decision.



The Trust must ensure action is taken at the earliest opportunity to address this issue. The COO will lead on interventions that are required.

### 21.1. CAPITAL RESERVES

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

It is the responsibility of finance staff to keep accurate records of the capital funds, especially where grants have been received for capital projects.

## 22. PAYROLL

### 22.1. STAFF APPOINTMENTS

The LGB proposes a staffing structure for the academy. Changes can only be made to the staffing structure with the express approval of the Local Governing Body or appropriate sub-committee. (See individual academy Scheme of Delegation).

The LGB must ensure that, at all times, adequate budgetary provision exists for any foreseen, and unforeseen, staffing changes.

The Headteacher has authority to appoint staff within their respective Academy up to an SLT level.

The LGB has authority to appoint staff within their respective Academy up to Deputy Headteacher level.

The appointment of a Headteacher is made by the Trust Board in consultation with the LGB. The Trust's decision is final.

The school must maintain personnel files for all members of staff which include contracts of employment and letters of variation to contracts. Refer to the HR File Checklist on the MAT website.

Academies are responsible for obtaining all relevant safeguarding checks including DBS checks and ensuring the relevant details are updated on the Single Central Register and retained on file in line with Safeguarding policies.

### 22.2. PAYROLL ADMINISTRATION

Payroll is administered through the academy's own payroll provider (Strictly Education). All staff are paid monthly through Strictly Education.

Each academy must complete a monthly staff return which provides details for all staff in the school of sickness and other absences during the month and any new appointments or terminations. The staff return must be authorised by the Headteacher.

Schools should ensure timesheets (or equivalent documentation) for additional hours, temporary work or overtime undertaken are completed by the employee. In turn this is authorised by the budget holder and included in the payroll submission paperwork for authorisation by the Headteacher.

By the relevant date, each month Finance staff are responsible for the submission of the completed payroll data for the period in question.

Where a pre-payroll report is supplied by the Strictly Education, this should be checked by Finance staff for accuracy.

### 22.3. PAYROLL PAYMENTS

All salary payments are made by BACS from the MAT central account.

Finance staff should prepare a budget reconciliation comparison of the current month's payroll report against the expected payroll for each individual.

This reconciliation is reviewed and signed by the Headteacher as part of the month end procedures.

Any anomalies must be investigated, and appropriate action must be taken. Your respective FOBP should be immediately informed.

The payroll systems automatically calculate the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions.

The amounts payable is summarised on the payroll reports from the Strictly Education. All payments are made from the MAT Central account under the control of the Head of Finance.



The Trust Finance team will undertake planned and random checks of school records to review actual payroll against personnel records.

After the payroll has been processed, the Trust's Finance team posts the payroll entries to the nominal ledger for each academy. Postings will be made both to the payroll control account and to individual cost centres and nominal ledger.

As part of the Period end process, finance staff should review the payroll control account each month to ensure the correct amount has been posted from the payroll system, individual cost centres have been correctly updated and to identify any amounts posted to the suspense account.

In preparation for external audit, Finance staff must ensure for each member of staff that the gross pay per the payroll system agrees to the contract of employment held on the personnel file in the school.

#### 22.4. SALARY ADVANCES

The Trust does not permit salary advances unless in exceptional circumstances and only with the approval of the Trust's Leadership Team.

#### 22.5. OVERTIME

Overtime is recorded by the individual and submitted to finance staff by a date agreed in each school.

Claim forms must not be submitted prior to work having been undertaken.

No payments for work undertaken will be made other than via the payroll system.

#### 22.6. SEVERANCE/SETTLEMENT PAYMENTS

There are very strict rules regarding severance payments which have been set by the ESFA within the Academies Financial Handbook.

Any breach of these terms is therefore a breach of the Trust's Funding Agreement with the Secretary of State and is treated very seriously.

All discussions of severance payments must be referred to the Chief Operating Officer (COO).

The academy Trust is able to self-approve the non-contractual element (only) of severance payments up to £50,000. A business case must be presented before agreeing a payment, using the form provided by ESFA.

Where the non-contractual element is on or over £50,000 prior approval from ESFA must be sought.

The COO will present each severance payment proposal to the CEO for consideration. The CEO, who is the Accounting Officer, ultimately approves the business case.

Further information is provided on gov.uk (<https://www.gov.uk/guidance/academies-severance-payments>)

#### 22.7. EX-GRATIA PAYMENTS

Ex-gratia payments must be made in line with the Academies Financial Handbook.

All discussions of ex-gratia payments must be referred to the Chief Operating Officer (COO).

Any ex-gratia payments will be submitted to ESFA for prior approval.

### 23. ACCOUNTING FOR INCOME

The Academies Accounts Direction (AAD) (<https://www.gov.uk/guidance/academies-accounts-direction>) explains revenue recognition in respect of ESFA and other grants. The AAD is a technical document, aimed at auditors and those responsible for the preparation of the Trust's annual financial statements.

#### 23.1. ESFA GRANTS

The main sources of income for an academy are the grants from the ESFA. The receipt of these sums is monitored directly by the Trust's Finance Team who are responsible for ensuring that all grants due to the academy are collected.

Grants are accounted for on the accrual's basis. The journals are posted into the schools Access Education system by the Trust's Finance Team.

A copy of the journal is made available to schools via the ADaM website under the Confidential Document Storage tab.

As part of the period end checklist, schools are required to check the grant amounts in their accounts is as expected.

### 23.2. ACCOUNTING FOR GAG INCOME

GAG (General Annual Grant) is the equivalent of the Budget Share allocated from the respective Local Authority, based on their funding formula allocation. The cash in respect of this grant is paid directly to the trust from the ESFA for each school in 12 equal instalments for a full year (pro rata for new academies joining in-year).

GAG remittance advice notes from the ESFA are made available to schools via the ADaM system, under the Confidential Document Storage tab.

After payroll costs plus the Support Cost Contribution have been deducted, any balance of cash from the GAG remittance is transferred to the school bank account by the Head of Finance.

If there is a net amount owing to the trust, the Head of Finance will arrange for a bank transfer from the school's account.

The calculations for the receipt of GAG income less Support Cost Contribution and payroll costs are set out in a journal called the "GAG journal". A copy of this journal and workings is made available to schools via the ADaM website, under the Confidential Document Storage tab.

The Trust Finance team ensures posting of transactions for the GAG in the Access Education system is correctly accounted for in line with the Academy Accounts Direction.

As part of the period end checklist, schools are required to check the grant amounts in their accounts is as expected.

### 23.3. ACCOUNTING FOR OTHER DFE GRANTS

The Trust receives all other grant income centrally from the ESFA. The principal grants currently are Pupil Premium, Primary PE& Sports, Universal Infants Free School Meals and Year 7 Catch Up.

Grant remittance advice notes from the ESFA are made available to schools via the ADaM website, under the Confidential Document Storage tab.

### 23.4. LOCAL AUTHORITY INCOME

Local Authority (LA) income is a large source of income for some academies in respect of Early Years Nursery Provision, Growing Schools Funding, SEN High Needs Top-up Funding (Units/ISPSB) and some other streams.

The receipt of these sums is monitored directly by the academy who is responsible for ensuring that all income due to the academy is collected.

LA income is paid directly into the academy bank account by the LA.

### 23.5. OTHER GRANTS

The receipt of these sums is monitored directly by the school which is responsible for ensuring that all income due is collected.

### 23.6. GRANT SUMMARY & RESPONSIBILITY

Grant Type	Source & Route	Responsibility
<b>GAG</b>	From ESFA to Trust. Trust deducts 5% top slice and Academy's monthly payroll cost. Balance remaining is transferred to Academy.	Trust to transfer balances to Academy. Trust to post respective journals in schools accounting system. Copy uploaded to ADaM. Academy to check grant income is as expected.
<b>Supplementary Grants</b> Pupil Premium; Primary PE & Sports; Universal Infants	From ESFA to Trust. No deductions are made by Trust. Grant is transferred to Academy.	Trust to transfer balances to Academy. Trust to post respective journals in schools accounting system. Copy uploaded to ADaM.

Free School Meals; Year 7 Catch Up;		Academy to check grant income is as expected.
<b>LA Income</b> (Early Years Nursery Provision; Growing Schools Funding; SEN High Needs Top-up Funding)	From LA directly to Academy	Academy to check grant income is as expected. Academy to post respective journals in accounting system.
<b>Other</b>	The receipt of these sums is monitored directly by the school which is responsible for ensuring that all income due is collected.	

### 23.7. SCHOOL TRIPS INCOME

A lead member of staff within each Academy must be appointed to take responsibility for the collection of sums due for each trip.

A member of the school finance team should maintain an up-to-date record for each student showing the amount paid and the amount outstanding.

This record should be sent to the lead organiser on a weekly basis and agreed who is responsible for chasing the outstanding amounts.

Trips should be run at cost price, although allowances can be made for administrative fees and additional staff cover.

If the school decides to subsidise the school trip the amount of subsidy must be approved by the Headteacher in advance of the booking being made.

### 23.8. CATERING

#### A) If Cash Payment

Cash payments must be reconciled daily to the lunch records and signed as evidence of reconciliation.

The school meal numbers, and cash totals are then to be entered onto a weekly banking sheet.

The cash is kept in the safe prior to weekly collection for banking.

The weekly banking sheet to actual receipts banked must be reconciled.

#### B) If Electronic Cash Collection

Bank credits are reconciled to the software system reports in the first instance.

### 23.9. SALES INVOICES

<b>Sales Invoices</b>		
The Scheme for Financial Delegation sets out delegated authority levels for the issuing of sales invoices:		
<b>Value</b>	<b>Delegated Authority</b>	<b>Method</b>
Up to £15,000	Business Manager	All sales invoices must be processed through the financial management system and issued in a timely manner.
£15,001 to £100,000	As above plus Headteacher	Headteacher to authorise the issuing of sales invoices above £15,001, and then as above.
Over £100,001	Finance Committee	Finance Committee to approve the issuing of sales invoices above £100,001, and then as above.

### 23.10. Lettings

The Academy Business Manager is responsible for maintaining records of bookings of sports facilities and other lettings from each organisation.

Payments must be made in advance for the use of facilities.

Details of organisations which hire school premises are maintained on the Access Education system as Customers.

These Customers have a sales ledger account and receive a sales invoice from school via the Access Education system.

Copies of the hirer's organisation up to date relevant Public Liability, indemnity, insurance, and qualifications (where relevant e.g., H&S, First Aid, Instructor etc.) are kept with the Letting Agreements and are reviewed at least annually by the school. Copies of documents should be scanned into ADAM as part of the audit trail.

### 23.11. SUNDRY INCOME

Where income is earned on a receivable basis, these organisations should be set up on the Sales Ledger with a Customer account.

All other income received on an ad hoc basis is entered into the accounting system using a Cash Book journal.

### 23.12. GIFT AID

An academy Trust can claim gift aid (<https://www.gov.uk/claim-gift-aid/overview>) on certain donations from individuals. The Trust is the single legal entity for gift aid claims for tax purposes.

Gift Aid can be complex, and advice may be required from our auditors. The Trust Finance Team should be consulted regarding the setting up of an academy's process to collect gift aid.

To ensure the academy Trust, in its position as an exempt charity, receives all the monies it is entitled to, school finance staff must:

- ensure the correct documentation is used throughout;
- reconcile income against records to confirm expected amounts have been received by the donor;
- ensure the tax reclaimable from HMRC is received.

## 24. BAD DEBTS

Each Academy should chase all monies due. Those that have not been paid within 30 days of an invoice being issued, by telephone or letter.

If the debt remains unrecoverable after 6 months, or it becomes clear that the debt will not be repaid, the Headteacher must submit a report to the appropriate body for approval of write off.

The following write off limits apply as defined within the Scheme for Financial Delegation:

Limit	Delegated Authority
Up to £150	Headteacher
£151 to £500	Finance Committee/LGB
Up to £45,000	CEO/COO/Head of Finance

Write offs need to be in line with the delegated authorities set out in the Academies Financial Handbook.

Currently, 2.5% of total annual income in any one financial year per category of transaction, where notified by the Board.

Otherwise, cumulatively 5% of total annual income in any one financial year per category of transaction.

Academies are responsible for their own Debt Recovery policy and procedures. Guidance can be sought from the FOBP.

## 25. PURCHASING

The SDBE MAT must achieve value for money on all purchases.

A large proportion of purchases are paid for with public funds and the Trust should 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 the academy.
- Accountability, the academy is publicly accountable for its expenditure and the conduct of its affairs.
- Fairness, that all those dealt with by the academy are dealt with on a fair and equitable basis.

### 25.1. ROUTINE PURCHASING

In the first instance a reputable supplier should be chosen. A quote or price must always be obtained before any order is placed. Copies of all quotes must be attached to the order form to be scanned into the Access Education system.

### 25.2. E-PROCUREMENT

The Trust has a Change Card Policy which should be read in conjunction with this manual.



Any member of staff wishing to make a purchase on the charge card must complete an official order form in the usual manner and pass this to the Academy Finance team to make the purchase. All order forms detailing the purchase must be signed by the Budget Holder and in line with the Scheme of Delegation.

### 25.3. ORDERS

All requisitions or orders must be made or confirmed using an official order form.

Orders will be recorded in the purchase order module of the Access Education system which allocates a reference number and commits expenditure.

The academy will have a separation of duties schedule which determines who can authorise the orders: this authorisation is done electronically.

The budget holder must make appropriate arrangements for the delivery of goods to the academy.

On receipt, the relevant person must undertake a detailed check of the goods received against the goods received note (GRN) and make a record of any discrepancies between the goods delivered and the GRN.

Discrepancies should be discussed with the supplier of the goods without delay.

If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, Academy Finance staff should be notified and will keep a central record of all goods returned to suppliers.

All invoices should be sent to the School finance staff.

Invoice receipt will be recorded by finance staff (and the invoice scanned) into the Access Education system purchase ledger module.

Finance staff will stamp invoices with the SDBE issued stamps against which the following can be evidenced by the budget holder authorising payment:

- invoice arithmetically correct
- invoice posted to purchase ledger on appropriate ledger code
- goods/ services received
- goods/services as ordered
- prices are correct
- invoice authorised for payment
- payment authorised
- VAT treatment is correct
- payment can be made

The budget holder must make a detailed check against the order and the GRN and these documents must be attached to the invoice before it is processed by finance staff.

Budget holders must undertake these checks without undue delay and in any case within 7 days of invoice receipt.

If a budget holder is pursuing a query with a supplier, Finance staff must be informed of the query and regularly kept up to date with the progress.

### 25.4. EXPENDITURE/ORDER THRESHOLDS

The following thresholds are defined within the Scheme for Financial Delegation:		
Value	Delegated Authority	Method
Up to £5,000	Budget Holders and Academy Business Manager	Orders should be placed with approved suppliers unless agreed otherwise by the Headteacher. Orders should be written on approved purchase order forms and authorised before being processed in the financial management system, and before being placed with suppliers. Approved paper-based orders should be entered into the financial management system by



The following thresholds are defined within the Scheme for Financial Delegation:		
Value	Delegated Authority	Method
		someone other than the person who approved the order.
£5,000 to £20,000	Headteacher, Deputy Headteacher (s) and Academy Business Manager	At least three written quotations should be obtained for all orders to identify the best source of the goods/services. Written details of quotations obtained should be prepared and retained by budget holders for audit purposes. Telephone quotes are acceptable if these are evidenced, and faxed confirmation of quotes has been received before a purchase decision is made and made in accordance with value for money principles. Alternative quotes should be scanned into the system.
£20,000 to £50,000	Headteacher and Chair of Governors	As above and a summary report detailing the need for the expenditure.
Over £50,000	Chair of Governors and either the Chief Executive Officer (CEO) or Chief Operating Officer (COO).	All goods/services ordered with a value over £50,000, or for a series of contracts which in total exceed £50,000 must be subject to formal tendering procedures.
Over £160,000	Trust Board	Formal tendering process, including advertising in OJEU if appropriate.  The Chief Financial Officer/SDBE MAT Finance Team will support Academy's with this process.

Academies are required to consult the Trust Finance Team to determine whether a transaction is likely to fall into this category.

The definition for a connected party is provided in the handbook. A connected party is:

- any member or Trustee of the academy Trust or any individual or organisation connected to a member or Trustee of the academy Trust. For these purposes, the following persons are connected to a member, or Trustee:
- a relative of the member or Trustee
- 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 which is 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 is able to secure that the affairs of the body are conducted in accordance with the individual's or organisation's wishes
- any individual or organisation that is given the right under the Trust's articles of association to appoint a member or Trustee of the academy Trust; or anybody related to such individual or organisation
- any individual or organisation recognised by the Secretary of State as a sponsor of the academy Trust; or anybody related to such individual or organisation

Where this extent of control or the connection is such that the need for 'at cost' is triggered, an individual or company can supply good and/or services up to £2,500, cumulatively, in any financial year which can include profit, beyond £2,500, all transactions must be 'at cost' without profit.

## 25.5. TRADING WITH RELATED PARTIES

The Academies Financial Handbook states, a Trust must pay no more than 'cost' for goods or services provided to it, including from individuals or organisations connected to the academy Trust.



Where 'at cost' is triggered, a statement of assurance is required from the supplier to support the arrangement, which the Accounting Officer must review to ensure that there are no issues with the transaction.

Trusts are responsible for maintaining a register of business interests for their governors and senior staff. This must be published on the school website.

The Trust will also use a copy of this register as evidence for auditors in preparation of the statutory accounts.

The Trust Finance team will regularly review the suppliers list in the accounting system to ensure related parties are identified early and the register of pecuniary interests is cross referenced.

#### 25.6. NOVEL, CONTENTIOUS AND /OR REPERCUSSIVE TRANSACTIONS

The Academies Financial Handbook introduces the concept of novel, contentious and/or repercussive transactions and these must always be referred to ESFA for explicit prior authorisation.

Any transaction likely to fall in to this category must be referred to the Trust Finance Team for advice prior to being entered in to.

Novel payments or other transactions are those of which the academy Trust has no experience, or are outside the range of normal business activity for the Trust.

Contentious transactions are those which might give rise to criticism of the Trust by Parliament, and/or the public, and/or the media.

Repercussive transactions are those which are likely to cause pressure on other Trusts to take a similar approach and hence have wider financial implications.

The ESFA may need to refer such transactions to HM Treasury for approval and so the Trust would have to allow sufficient time for proposals to be

considered.

#### 25.7. GOODS AND SERVICES FOR PRIVATE USE

No goods are to be ordered or services provided to include any elements of private use by governors and staff.

### 26. TENDERING

The Trust has a Procurement/Tendering Policy which should be read in conjunction with this manual.

### 27. INSURANCE

The Trust Finance team review insurance arrangements annually and notify academies.

They ensure that the sums insured are commensurate with the risks and include cover for MAT property and liabilities.

Insurance for vehicles and overseas trips must be arranged separately by an academy. Where possible group policies will be procured to gain economies of scale.

Academies must inform the Trust Finance Team immediately if any instance is likely to or has given rise to an insurance claim.

All staff must ensure all valuables are kept under lock and key when not being used in a supervised manner.

### 28. GOVERNORS/TRUSTEES EXPENSES

The Trust has a Governors/Trustees Expenses Policy which should be read in conjunction with this manual.



## 29. STAFF EXPENSES

The Trust has a Staff Expenses Policy which should be read in conjunction with this manual.

## 30. PERSONAL GAIN, GIFTS AND HOSPITALITY

The Trust had a Code of Conduct Policy which should be read in conjunction with this manual.

Under the ESFA's Academies Financial Handbook no member trustee, governor employee or Connected Person may use their connection to us for personal gain (other than salary for employees) including payment under terms that are preferential to those that would be offered to an individual or organisation with no connection to us.

Under the ESFA's Academies Financial Handbook we are required to have a policy and a register of the acceptance of gifts, hospitality, awards, prizes, commission or any other benefit which might be seen to compromise their personal judgment or integrity (hereafter "Gift").

The general principle is that you should not receive or ask for any Gift.

It is well-established practice within the education environment that employees may be presented with small tokens of appreciation, for example at festivals or at the end of a school year and this is acceptable. However, it is unacceptable to receive Gifts on a regular basis from the same person, business or family, or to receive Gifts that are of a significant value (i.e. over £10).

There may be other occasions when it is inappropriate to reject gifts. In these circumstances, any employee or worker must only accept occasional, token gifts that are clearly a small gesture of appreciation. If gifts from the same source become frequent (monthly or more) and/or are significant in value (over £10) this must be immediately reported for approval to either our Executive Team (if it relates to any Trust central staff, a School Business manager or to a member of the

School's SLT), or to the School's Headteacher and Business Manager (if it relates to anyone else).

Any Gift received (other than a one-off gift under £10 such as an end of year gift) must be declared and recorded in the Register of Gifts.

## 31. ENERGY MANAGEMENT

Academy staff are responsible for recording, monitoring and analysing water, gas and electricity consumption.

Meters should be checked before authorising any invoices from the utility providers. Any discrepancies or unusual readings should be raised with suppliers immediately.

The premises manager/caretaker should ensure that the school's heating system is operated and run as efficiently as possible.

The Trust will support the school in purchasing energy at the most competitive prices available.

All staff have the responsibility to work in an energy efficient manner at all times (e.g. turning off computers, lights and heating when not required).

## 32. FRAUD

The Trust has a Fraud Policy which should be read in conjunction with this manual. The Trust does not tolerate fraud.

Where instances of fraud are found the Chief Operating Officer will notify the ESFA and follow the relevant procedures for action including where necessary involvement of the relevant authorities.

Academies are required to contact the Trust immediately if there is any incidence of suspected or actual fraud uncovered.



Academies are also required to submit information regarding fraud each month to the Trust Finance Team as part of period end reporting.

Staff in the Central team record all instances of suspected or actual fraud uncovered to the auditors.

Staff requiring access to online banking must complete a declaration indicating they have read the Lloyds Bank Fraud Risk awareness leaflet and the Fraud Policy prior to being granted access to online banking systems.

### 33. THEFT AND BREAK IN

Academies are required to submit information regarding theft and break in of premises each month to the Trust Finance Team as part of period end reporting.

This requires a declaration of any incidence of suspected or actual theft uncovered.

Actual theft or break in should be reported immediately to local police in order to be investigated and obtain a crime reference number.

### 34. WHISTLEBLOWING

The Trust has a Whistleblowing Policy which should be read in conjunction with this manual.

### 35. LEASING

Finance leases represent borrowing which are not allowed under the Academies Financial Handbook.

As school budgets get increasingly tighter, leasing can sometimes be the only means by which a school can access the equipment that it needs.

Schools are forbidden by the DfE to have finance leases and therefore operating leases are legally the only type of lease a school may enter into.

The following sets out the differences are between a finance and operating lease.

#### 35.1. OPERATING LEASE

- An Operating Lease requires the school to pay only a proportion of the capital value of the equipment and over a shorter agreement term, classed usually as the equipment's 'useful economic life.'
- With an operating lease you will only finance a percentage of the total cost of the equipment over the term of the lease, as the provider of the finance must retain a proportion of the original cost, known as the Residual Value.
- As part of the current accountancy regulations, the funder is required to take 'sufficient risk' in the lease. Most auditors will use the '90% test' to establish this. This is not written into current regulations but is a good guideline. What it means is the lease rentals paid under the primary lease must not exceed 90% of the original capital cost. When working out the '90% test' auditors exclude the interest to work out how much capital is being repaid – it's important not to simply add up your rentals.
- The length of the agreement should not exceed the expected 'useful economic life' of the equipment. This will depend on how often the equipment will be used, maintained and serviced. You should think about how often you have used similar equipment in the past and consider a lease term which represents a proportion of this.
- At the end of the agreed lease term, you will not own the equipment and the school will be required to return the equipment. There should be no option for the school to gain ownership of the asset at any time.
- Payments are shown on the profit and loss account and not the balance sheet due to the nature of the payments.

#### 35.2. FINANCE LEASE

- The finance company or lessor is the legal owner of the asset yet will permit the school to have use of that asset during the lease, paid for via a series of rentals or instalments over an agreed term.
- A finance lease may be considered to be economically equivalent to a form of borrowing, where 100% of the capital plus interest is repaid during the primary term.
- At the end of a finance lease the school will not own the equipment at the end of the agreement but may have the option to keep the asset by either paying the last rental or in some cases, paying a nominal fee or a significantly reduced purchase price.



- Under a finance lease, the school repays rentals over the term of the lease but the rentals are not discounted. During the lease term the total rentals will normally cover the value of the asset.

### 35.3. QUESTIONS TO ASK ABOUT FINANCE AND OPERATING LEASES

If you are not sure about the type of lease being offered, it is worth asking the following questions using the tables below in order to find out more:

Questions to ask to ascertain whether the lease is an operating or finance lease:	Yes	No
Does the lessee have the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised?	FINANCE LEASE	OPERATING LEASE
Is the lease term for the major part of the economic life of the asset, even if title is not transferred?		
At the inception of the lease does the Net Present Value of the minimum lease payments amount to at least substantially all of the fair value of the leased asset?		
Are the leased assets of a specialised nature such that only the lessee can use them without major modifications being made?		
If still unsure as to type of lease, i.e. a mix of yes and no answers to the section above, consider the next set of questions:		
If the lessee is entitled to cancel the lease, are the Lessor's losses associated with the cancellation borne by the lessee?	FINANCE LEASE	OPERATING LEASE
Do any gains or losses from fluctuations in the fair value of the residual fall to the lessee (e.g. in the form of a rebate equalling most of the sales proceeds at the end of the lease)?		
Does the lessee have the ability to continue to lease for a secondary period at a rent that is substantially lower than market rent?		
Are you responsible for maintaining and insuring the asset?		

### 36. VAT

VAT 126 form

(the Trust is not currently registered for VAT)

The Trust Finance team is responsible for submitting the VAT 126 claim.

The Trust submits a single claim on behalf of all the constituent academies.

Academies are responsible for preparing the submission for their school in line with Trust timetables.

The Trust Finance team is responsible for monitoring business related activity and registration for VAT if the threshold for turnover is met.

### 37. CONSTRUCTION INDUSTRY SCHEME

Refer to the CIS if you pay subcontractors for construction or spend over a certain threshold in a 3 year period.

(<https://www.gov.uk/what-is-the-construction-industry-scheme>).

### 38. FIXED ASSETS

The Trust has an Accounting for Fixed Assets Policy which should be read in conjunction with this manual.

The Academies Financial Handbook stipulates the delegated authorities laid out when purchasing/disposing of assets.

#### 38.1. CHURCH LAND AND BUILDINGS

Academies in the Southwark Diocese operate their schools under licence from the Diocese and so the value of the land and buildings is not included in the fixed asset register.

#### 38.2. ASSET REGISTER

All items purchased with a value over the academy's capitalisation limit of £2,000 must be entered on a fixed asset register spreadsheet with the following details:

- asset description
- asset number



- serial number
- date of acquisition
- asset cost
- source of funding (% of original cost funded from grant and % funded from other sources)
- expected useful economic life
- depreciation
- net book value
- location
- name of member of staff responsible for the asset
- disposal date
- disposal method

The asset register helps:

- ensure that staff take responsibility for the safe custody of assets
- enable independent checks on the safe custody of assets, as a deterrent against theft or misuse
- to manage the effective utilisation of assets and to plan for their replacement
- help the external auditors to draw conclusions on the annual accounts
- support insurance claims in the event of fire, theft, vandalism or other disasters

Examples of items to include on the asset register include:

- ICT hardware and software (this list can be combined and used to identify software licences to ensure the school is complying with legislation)
- Reprographic equipment – photocopiers, comb binders, laminators
- Furniture
- AVA equipment – TVs, video/DVD players, OHPs, cameras, speakers
- Other equipment – musical instruments, PE equipment
- Catering equipment – ovens, fridges, dishwashers, food processors
- Cleaning equipment – vacuum cleaners, polishers
- Technology equipment – sewing machines, craft machinery
- Premises equipment – lawn mowers, power tools, generators
- Mini buses

### 38.3. SECURITY OF ASSETS

Where possible, items in the register are permanently and visibly marked as the Academy's property.

Equipment is, where possible, stored securely when not in use. An annual count is undertaken by a person who is different from the preparer of the asset register. Where discrepancies between the physical count and the amount recorded in the register are found these are investigated promptly and, where significant, reported to the governing body.

### 38.4. DISPOSALS

The disposal of an item on the asset register means the item has no further economic use to the academy.

This might be because the item is beyond economic repair, or it has no further use to the academy and can be physically removed. This item may still have a net book value on the asset register.

Items on the asset register which are to be disposed of must be recorded as a disposal in the asset register.

Disposals, where applicable, are accounted for by the Trust in line with the Academies Financial Handbook and Accounts Direction in force at the time.

The Trust Finance Team should be consulted to determine the correct accounting treatment to be applied.

Items which are to be disposed of by sale or destruction must be authorised for disposal as such by the Trust Finance Team prior to sale and, where significant, should be sold following competitive tender.

The Trust will seek the approval of the ESFA in writing if it proposes to dispose of an asset for which capital grant in excess of £20,000 was paid.



## 38.5. LOAN OF ASSETS

Items of academy property must not be removed from academy premises without the authority of the Headteacher.

A record of the loan must be recorded in a loan book and the property marked back into the loan book when it is returned.

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

## APPENDIX 1

### ACCOUNTING POLICIES FOR THE FINANCIAL STATEMENTS

#### BASIS OF PREPARATION

The financial statements of the academy Trust, which is a public benefit entity under FRS102, will be prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland (FRS102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS102) (Charities SORP (FRS102)), the Academies Accounts Direction 2016-17 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

#### GOING CONCERN

The Trustees will assess whether the use of the "going concern principle" is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Trust to continue as a going concern. The Trustees will make the assessment in respect of a period of one year from the date of the approval of the financial statements.

#### RECOGNITION OF INCOMING RESOURCES

These will be on a receivable basis.

- Grants Receivable will be included in the Statement of Financial Activities (SOFA) on a receivable basis. The balance of income received for specific purposes but not expended during the period will be shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt its recognition will be deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income will be accrued.
- Donations are recognised on a receivable basis where there is certainty of receipt, and the amount can be reliably measured.
- Sponsorship income provided to the Academy which amounts to a donation will be recognised in the SOFA in the period in which it is receivable. Any sponsorship money received with no restriction on its use will be credited to the unrestricted fund in the SOFA.
- Donated services and gifts in kind - The value of donated services and gifts in kind provided to the Academy Trust will be recognised at their open



market value in the period in which they are receivable as incoming resources, where the benefit to the Academy Trust can be reliably measured. An equivalent amount will be included as expenditure under the relevant heading in the SOFA, except where the gift in kind is a fixed asset in which case the amount will be included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with Academy Trust's policies.

- Other income, including catering income and fees for out of school care will be recognised in the period it is receivable.

## RESOURCES EXPENDED

All expenditure will be recognised in the period in which a liability is incurred and will be classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings, they will be allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs will be allocated based on the spread of staff costs.

- Costs of generating funds - These will be costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.
- Charitable activities – These will be costs incurred on the Academy Trust's educational operations.
- Governance Costs will include the costs attributable to the Academy Trust's compliance with constitutional and statutory requirements, including audit, strategic management and Trustees' meetings and reimbursed expenses.
- Resources will be recorded net of VAT, with the exception of business costs where VAT is irrecoverable. They will be classified under headings that aggregate all costs relating to that activity.

## ACCOUNTING FOR FIXED ASSETS

Assets costing £2,000 or more will be capitalised as tangible fixed assets and will be carried at cost, net of depreciation and any provision for impairment. Where tangible fixed assets are acquired with the aid of specific grants, either from the government or from the private sector, they will be included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants will be credited to a restricted fixed asset fund in the SOFA and carried forward in the Balance Sheet. Depreciation on such assets will be charged to the restricted fixed asset fund in the SOFA so as to reduce the fund over the useful economic life of the related asset on a

basis consistent with the Academy Trust's depreciation policy.

The Academies Accounts Direction provides advice for Church academies where the buildings are operated under licence from the Diocese and may not therefore appear on the balance sheet of the Trust.

## DEPRECIATION

Depreciation will be provided on all tangible fixed assets other than freehold land and buildings, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful lives, as follows:

Asset	Life	Depreciation
Fixtures, fittings, and equipment (non-ICT)	5 Years	20%
ICT equipment	4 Years	25%
Motor Vehicles	5 Years	20%
Longer life fixtures and fittings	Will be determined on a case basis.	

Items will start to be depreciated from the month after they are brought in to use.

The actual depreciation charge for the year will be posted in the accounting system at the end of the financial year.

Assets in the course of construction will be included at cost. Depreciation on these assets will not be charged until they are brought into use.

A review for impairment of a fixed asset will be carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable.

Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

## LEASED ASSETS

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

## INVESTMENTS

The Academy does not hold any investments at the current time. The accounting policy will be determined when the need arises.

## STOCK

Catering stocks will be valued at cost.

## TAXATION

The Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the Academy Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

## PENSIONS BENEFITS

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), and the assets are held separately from those of the Academy Trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll.

The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 27, the TPS is a multi-employer scheme and the Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme, and the assets are held separately from those of the Academy Trust in separate Trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations will be obtained at least triennially and will be updated at each balance sheet date. The amounts charged to operating surplus will be the current service costs and gains and losses on settlements and curtailments. They will be included as part of staff costs. Past service costs are recognised immediately in the SOFA if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost will be shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses will be recognised immediately in other gains and losses.

## FUND ACCOUNTING

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Academy Trust at the discretion of the Trustees / governors.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Education Skills & Funding Agency or other Funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received and include grants from the Education Skills & Funding Agency.

