



<b>Name of Policy</b>	<b>Financial Policy and Regulations</b>
<b>Responsible Body</b>	Cheviot Learning Trust
<b>Responsible Person</b>	Chief Finance & Operations Officer
<b>Review Committee</b>	Finance, Audit and Risk
<b>Last review date</b>	November 2025
<b>Next review date</b>	Autumn 2026
<p><b>Revisions at last review</b></p> <p>Removed references to old-fashioned un-used items such as requisition forms, solicitor approval (p15) ink, liquid paper</p> <p>General tidy throughout and removal of repetition.</p> <p>Change all ESFA references to DfE.</p>	<p><i>Replaced Head of Business and Financial Support with MACS authoriser</i></p> <p><i>p12 - increase from £25k to £75k, this will enable the Board to focus on large capital projects.</i></p> <p><i>p13 - highlight use of the Expenditure Outside Approved Budget Policy</i></p> <p><i>p15 - bring in line with Policy above</i></p> <p><i>p19 - Virtual Card Payment System</i></p> <p><i>p24 - current limits</i></p> <p><i>p26 - a lot of repetition - tidied</i></p> <p><i>L - correct insurance values used. I have removed comments to other Trusts which are not relevant.</i></p> <p><i>S - new EV restrictions</i></p> <p><i>U - new policy name</i></p> <p><i>V- Based on good practice guide - rolling cash flow added</i></p> <p><i>Z - we are now partially exempt for VAT purposes, note updated accordingly.</i></p>

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## A COMPLIANCE WITH FINANCIAL POLICY AND REGULATIONS

A1	<p>It is important for Cheviot Learning Trust to demonstrate that they do not benefit personally from decisions they make with regards to the spending of public money. To ensure that the financial standing of the MAT cannot be brought into disrepute, this policy will be implemented by all schools within the MAT, guaranteeing consistency in financial procedures across the academies. The MAT takes its responsibility for handling public funds with the utmost importance and strives to continuously provide a high-quality education and safe learning environment, whilst having a strong financial standing. This document sets out how we do this. It translates into practical guidance the Trust's broad policies relating to financial controls and represents the minimum acceptable standard to be maintained by the members and staff of the Trust. The Financial Regulations apply to the Trust and therefore all Trust Schools. It is compliant with the Scheme of Delegation.</p>
A2	<p>Compliance with the Financial Regulations is compulsory for all members, trustees and staff connected with the Trust such as services and goods sourced from external agencies, e.g. contractors and caterers.</p> <p>A member of staff who fails to comply with the Financial Regulations may be subject to disciplinary action under the Trust's disciplinary procedure. Any breach resulting in disciplinary action will be notified to the Board through the Finance, Audit and Risk Committee.</p>
A3	<p>It is the responsibility of the members of the Trust, managers and other Budget Holders to ensure that their staff are aware of their responsibilities under the Financial Regulations and that an adequate number of copies are available for reference for staff involved in the financial affairs of the Trust and its subsidiary undertakings.</p>
A4	<p>The Financial Regulations will also be made available electronically to all schools</p>
A5	<p>The requirement to comply with Financial Regulations at all times will be brought to the attention of all staff via staff induction from managers.</p>
A6	<p>The Financial Regulations will be reviewed regularly and amended as necessary to ensure they reflect the Trust's current structure and arrangements.</p>
A7	<p>Where the Financial Regulations have been waived in accordance with guidance herein such occurrences will be reported to the Finance, Audit and Risk Committee and the Finance, Audit and Risk Committee by the CFOO.</p>
A8	<p>The financial regulations shall be reviewed every two years as a minimum.</p>

**B BACKGROUND TO THE FINANCIAL REGULATIONS INCLUDING LEGAL FRAMEWORK**

B1	The Trust is incorporated and is an exempt charity. Its structure of governance is laid down in the instruments of its incorporation and the scheme of delegation. The Trust is accountable through the Board of Trustees (Board) which has responsibility for the Trust's management and administration.
B2	The Trust conducts its financial affairs in line with its Funding Agreement with the DfE. This sets out the terms and conditions of the agreement under which it provides funds to the Trust. The Board is responsible for ensuring that conditions of grant(s) are met. As part of this process the Trust shall adhere to the Academies Handbook which is issued each year to the sector.
B3	The Financial Regulations of the Trust form part of the overall system of accountability and internal control, whilst at all times remaining subordinate to any restrictions contained within the Funding Agreement and Academies Handbook, i.e. if any new requirements are issued then they will automatically become part of the Trust Regulations, even if this document has not been formally updated and approved.

## C TERMINOLOGY

C1	<p>In these regulations:</p> <ul style="list-style-type: none"><li>(i) 'the Trust' refers to Cheviot Learning Trust.</li><li>(ii) 'the Board of Trustees' refers to that established under the Memorandum and Articles of Association. Reference to the Board shall imply the Board of Trustees.</li><li>(iii) 'the Chief Executive' refers to the CEO of the Trust</li><li>(iv) references to other Senior Posts of the Trust will be the senior management of the Trust. These are:<ul style="list-style-type: none"><li>- CFOO - Chief Finance and Operations Officer</li><li>- Executive Heads and Head Teachers of the Schools in the Trust</li></ul></li></ul> <p>References to Senior Leadership Team (SLT) includes the CEO, Chief Finance and Operations Officer, Executive Heads and Headteachers.</p> <ul style="list-style-type: none"><li>(v) 'the staff' refers to all employees of the Trust</li><li>(vi) references to 'Trust Managers and other Budget Holders' shall include any member of staff, or external specialist employed by the Trust with that responsibility. Trust managers include, Chief Executive, CFOO, Executive Heads, Head Teachers and any other posts nominated to be put in the management structure at a school.</li><li>(vii) Funding Bodies refers to the Education and Skills Funding Agency (DfE).</li><li>(viii) words importing one gender shall import all genders, the singular number shall include the plural and vice versa (unless the context otherwise requires).</li><li>(ix) 'cash' shall mean all cash and cash equivalents such as cheques and bankers drafts.</li><li>(x) Finance, Audit and Risk Committee means any committee of the Board that considers audit matters, by whatever name it is known.</li></ul>
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**D FINANCIAL CONTROL AND RESPONSIBILITIES**

<p><b>D1</b></p>	<p><b>MEMBERS, BOARD AND COMMITTEE STRUCTURE</b></p>
<p>D1.1</p>	<p>The Members shall have responsibility for the following financial matters</p> <ul style="list-style-type: none"> <li>(i) may, by special resolution, issue direction to the trustees to take a specific action which could include financial actions.</li> <li>(ii) appoint the Trust’s external auditors and receive the Trust’s audited annual accounts (subject to the Companies Act)</li> </ul>
<p>D1.2</p>	<p>The Board shall have responsibility for the following financial matters whilst ensuring regularity and propriety in the use of the Trust’s funds, and achieve <u>economy, efficiency and effectiveness</u> – the three elements of <u>value for money</u>. The trustees <b>must</b> also take ownership of the Trust’s financial sustainability and its ability to operate as a <u>going concern</u>. This is done by:</p> <ul style="list-style-type: none"> <li>(i) approving the annual estimates of income and expenditure (budgets) including the three year plan</li> <li>(ii) ensuring the solvency of the Trust</li> <li>(iii) safeguarding the Trust’s assets</li> <li>(iv) ensuring financial matters are always considered when making decisions</li> <li>(v) giving an annual account of their stewardship of the Trust’s funds (Trustees Report)</li> <li>(vi) ensuring that there are adequate management controls in place to enable them to discharge their other responsibilities</li> <li>(vii) approving expenditure in accordance with the scheme of delegation</li> <li>(viii) setting a framework for pay and conditions of service of all staff</li> <li>(ix) ensuring that the financial, planning and other management controls, including controls against fraud and theft, applied by the Trust are appropriate and sufficient to safeguard public funds</li> </ul>
<p>D1.3</p>	<p>The Board has established an Finance, Audit and Risk Committee to consider matters of internal control, audit, risk management and value for money and a Finance, Audit and Risk Committee that covers many of the other duties but the main board shall also consider financial performance of the Trust. The committees shall be properly constituted by the Board who will set terms of reference. The Board shall periodically review the membership and terms of reference of its committees.</p>
<p>D1.4</p>	<p>As part of its terms of reference the Finance, Audit and Risk Committee shall be responsible for examining the Trust’s systems of internal control through the work of the Trust’s Internal Auditor and its External Auditor.</p>

D1.5	The Chair of the Board is responsible for ensuring the effective functioning of the board and has a vital role in setting the highest expectations for professional standards of governance and accountability for the board. It is the chair's responsibility to give the Trust board clear leadership and direction, keeping it focused on its core functions. The chair's role will be informed by the governance professional's (clerk's) advice and support. DfE will help chairs and their boards to do this, if required.
<b>D2</b>	<b>RESPONSIBILITIES OF THE CHIEF EXECUTIVE (INCLUDING CO CHIEF EXECUTIVES)</b>
D2.1	<p>In accordance with the Academy Trust Handbook, the board of trustees must appoint, in writing, a senior executive leader. In MATs it should be the CEO (or one of them, where there are Co Chief Executives) who will also be the Accounting Officer. The appointment of the Accounting Officer does not remove the responsibility of trustees for the proper conduct and financial operation of the Trust. The Accounting Officer role cannot rotate between a number of people. The role of Accounting Officer includes specific responsibilities for financial matters. It includes a personal responsibility to Parliament, and to DfE's accounting officer, for the financial resources under the Trust's control. The Accounting Officer must be able to assure Parliament, and the public, of high standards of probity in the management of public funds, particularly regularity, propriety and value for money.</p> <p>Accounting officers <b>must</b> adhere to <a href="#">The 7 principles of public life</a>.</p>
D2.2	<p>The Accounting Officer must have appropriate oversight of financial transactions, by:</p> <ul style="list-style-type: none"> <li>(i) ensuring that the academy Trust's property and assets are under the control of the trustees, and measures exist to prevent losses or misuse</li> <li>(ii) ensuring that bank accounts, financial systems and financial records are operated by more than one person</li> <li>(iii) keeping full and accurate accounting records to support the annual accounts</li> </ul> <p>The Accounting Officer must complete and sign a statement on regularity, propriety and compliance each year and submit this to DfE with the audited accounts. The Accounting Officer must also demonstrate how the Trust has secured value for money via the governance statement in the audited accounts.</p>
D2.2	The Accounting Officer must take personal responsibility (which must not be delegated) for assuring the board that there is compliance with the funding agreement and academy handbook. The Accounting Officer must advise the board in writing if any action it is considering is incompatible with the Articles, funding agreement or handbook. Similarly, the Accounting Officer must advise the board in writing if the board fails to act where required by the funding agreement or handbook. Where the board is minded to proceed, despite the Accounting Officer's advice, the Accounting Officer must consider

	the board's reasons and if the accounting officer still considers the action proposed by the board is in breach of the Articles, the funding agreement or handbook, the Accounting Officer must notify DfE's Accounting Officer immediately in writing.
D2.3	The Financial Regulations are without prejudice to this responsibility. Unless stated to the contrary, Budget Holders act under powers delegated to them by the Chief Executive.
<b>D3</b>	<b>CHIEF FINANCE &amp; OPERATIONS OFFICER, EXECUTIVE HEADS, HEAD TEACHERS AND OTHER BUDGET HOLDERS</b>
D3.1	To manage the finances of the Trust, the CEO will delegate whatsoever duties and responsibilities he/she considers appropriate.
D3.2	<p>Day to day financial administration is controlled by the Chief Finance and Operations Officer (CFOO). The CFOO should play both a technical and leadership role in the Trust. The Chief Finance &amp; Operations Officer is responsible to the CEO for:</p> <ul style="list-style-type: none"> <li>(i) ensuring that the Trust maintains satisfactory financial systems</li> <li>(ii) providing professional advice on all matters relating to financial policies and procedures</li> <li>(iii) co-ordinating the preparation of annual capital and revenue budgets and financial plans and forecasts</li> <li>(iv) preparing accurate and timely budgetary control information and management accounts</li> <li>(v) preparing the Trust's annual accounts and other financial statements and accounts which the Trust is required to submit to other authorities</li> <li>(vi) exercising efficient cash management including preparation of regular bank reconciliations and cash flow projections</li> <li>(vii) managing working capital.</li> </ul>
D3.3	The CFOO shall issue such instructions, receive such information, give such advice, or establish such procedures relating to financial matters, to the level of all relevant codes of practice and Accounting and Audit Standards, in order to secure the proper administration of the Trust's financial affairs.

D3.4	<p>The CFOO and their finance staff <b>must</b> be appropriately qualified and/or experienced. Trusts <b>must</b> assess whether the CFOO, and others holding key financial posts, should have a business or accountancy qualification and hold membership of a relevant professional body, dependent on the risk, scale and complexity of financial operations. DfE encourages larger trusts (for example over 3,000 pupils) to consider the range of accountancy qualifications available from professional bodies such as the <u>ICAEW</u>, <u>ACCA</u>, <u>CIMA</u> or <u>CIPFA</u> (including CIPFA qualifications developed in partnership with <u>ISBL</u>), and take this into account when filling CFOO vacancies.</p> <p>CFOOs and qualified finance staff should maintain continuing professional development and undertake relevant ongoing training.</p>
D3.5	<p>Other Budget Holders, including Executive Heads and Head teachers are responsible to the CEO for financial management in their own areas. The CFOO provides professional support.</p>
D3.6	<p>Budget Holders (including School Business Managers, where appointed) are responsible for the accountability and control of staff and security, custody and control of all other resources, including plant, materials, buildings, cash and stores appertaining to his/her School/Department as well as for ensuring compliance with these regulations.</p>
D3.7	<p>Budget Holders will consult the CFOO in good time with respect to any matter within his/her view which is liable to materially affect the finances of the Trust before any commitment is made. This shall not only be considered in financial terms (where upon a transaction in excess of £15,000 will be considered as material) but also any matter affecting the integrity of financial systems and other affairs. The CFOO shall inform and be accountable to the CEO regarding all financial matters.</p>

## E FINANCIAL PLANNING

<b>E1</b>	<b>EDUCATIONAL CHARACTER</b>
E1.1	It is the responsibility of the Board to determine the educational character and mission of the Trust and for oversight of its activities, including the effective and efficient use of resources. To this end, it will be the responsibility of the Board to determine in the light of pupil numbers and the requirements of DfE; the pattern of course provision to be made by the Trust.
<b>E2</b>	<b>STRATEGIC FINANCIAL PLANNING</b>
E2.1	The board of trustees must approve a balanced budget, and any significant changes to that budget, for the financial year to 31 August, which can draw on unspent funds brought forward from previous years. The board must minute its approval.
E2.2	The budget and financial forecast will form an integral part of the strategic plan of the Trust. It will express in financial terms the costs of implementing the strategic plan and show the income and expenditure associated with the projected levels of activity across all schools.
<b>E3</b>	<b>FORECASTS AND BUDGETS</b>
E3.1	<p>Prior to the start of each financial year detailed budgets will be prepared by the CFOO with the assistance of budget holders across the Trust. Budgets will be prepared under the direction of the CEO and using the following principles:</p> <ul style="list-style-type: none"> <li>• Forecasts of likely pupil numbers to estimate the amount of DfE grant available</li> <li>• Review of other income sources</li> <li>• Review of past performance against budgets</li> <li>• Identification of potential efficiency and budget containment actions</li> <li>• An annual review of expenditure headings to reflect known changes (e.g of staff) and expected variations in costs, such as pay increases, inflation or other anticipated changes</li> </ul>
E3.2	The detailed form of the budgets will be determined by the CFOO in accordance with the general direction of the Board.
E3.3	It will be the responsibility of the Board, prior to the start of the new financial year, to approve the annual budgets of income and expenditure.
E3.4	In determining the annual budget for the Trust the Board shall plan and conduct its financial and academic affairs to ensure that the solvency of the institution will not be jeopardised. When reviewing and approving budgets for the Trust, the board of trustees ensures the following:

	<ul style="list-style-type: none"> <li>• That budget forecasts, for the current year and beyond, are compiled accurately,</li> <li>• based on realistic assumptions and are reflective of lessons learned from previous years.</li> <li>• Pupil number estimates are challenged and that these underpin revenue projections.</li> <li>• An integrated approach to curriculum and financial planning is taken.</li> <li>• Each school within the MAT will have an independent budget which will be managed by their Head in conjunction with the SBM (where appointed) and the central team.</li> </ul>
E3.5	During the year the CFOO will be responsible for submitting revised forecasts as required after consulting budget holders as required.
<b>E4</b>	<b>THE CAPITAL PROGRAMME</b>
E4.1	<p>The capital programme means the capital budget approved as part of the annual budget and other large capital schemes brought to the Board for Approval as funding becomes available, e.g. School Condition Allowance.</p> <p>The Trust may fund other capital assets via Devolved Formula Capital or from revenue budgets in line with the purchasing guidance. The levels for capitalisation shall be £5,000 (See Section S for more information).</p>
E4.2	At the same time as elements of the capital programme are approved by the Board the CEO will, with the assistance of the CFOO, indicate the proposed financing of the programme. Further information is contained in the Capital Funding and Allocations Policy.
E4.3	<p>The inclusion of a scheme (i.e large capital works such as significant building works or major equipment purchases) in the Trust's approved capital programme does not constitute approval for the commitment of expenditure on that scheme. Expenditure may only be incurred on a scheme where:</p> <ul style="list-style-type: none"> <li>(i) the Board has approved the scheme as being within the Trust's Strategic Financial Plan or objectives</li> <li>(ii) a tender or quotation has been received which does not exceed the amount upon which the financial report was based or funding for any additional amount has been approved</li> <li>(iii) all Government funding has been received (or is receivable) and other approvals have been received where required.</li> <li>(iv) the CEO with the assistance of the CFOO is satisfied at the time the tenders or quotations are considered that sufficient resources are available to finance the capital expenditure and revenue costs associated with the scheme.</li> </ul>

## F FINANCIAL CONTROL

<b>F1</b>	<b>HIGH LEVEL FINANCIAL CONTROL</b>
F1.1	The Board shall notify the DfE in writing if at any time there is a significant deterioration in its financial position.
F1.2	The CFOO will be responsible for supplying reports on all aspects of the Trust's finances in a format and on a basis agreed by the Board.
F1.3	The CFOO shall be responsible for providing regular statements concerning all capital expenditure for monitoring purposes.
F1.4	Following completion of capital projects exceeding £75,000 a final report shall be submitted to the Finance, Audit and Risk Committee recording actual expenditure against budget and reconciling funding arrangements.
F1.5	The CEO will report promptly to the Finance, Audit and Risk Committee on the impact on the Trust's finances of pay and price increases and of other material variations to enable appropriate action to be taken.
<b>F2</b>	<b>BUDGETARY CONTROL</b>
F2.1	The CEO will be responsible for ensuring that net spending is kept within the approved budget. He/she may delegate responsibility for monitoring whatever budget areas he/she sees fit to Budget Holders. The Chief Finance & Operating Officer shall be informed of any such proposed delegation.
F2.2	The control of income and expenditure within an agreed budget is the responsibility of the designated budget holder who shall ensure that day to day monitoring is undertaken effectively. The budget holder will be assisted in this duty by management information provided by Finance. <del>via on-line screen inquiry facilities and/ or printed budget reports.</del> The Budget Holder shall ensure that the expenditure within the agreed budget complies with these Financial Regulations and the Authorisation requirements.
F2.3	Where it appears that the amount of any budget item may be exceeded, or the amount of any income stream may not be reached, and it is not possible to cover the amount involved by the use of virement between budgets as set out in section F3 below, it shall be the duty of the budget holder: <ul style="list-style-type: none"> <li>• to bring variances of income to the attention of the CEO and CFOO;</li> <li>• for variances to expenditure - follow the guidelines in the Expenditure Outside Approved Budget Policy &amp; Procedure.</li> </ul>
F2.4	Any proposal which involves the incurring of expenditure:

	<p>(i) shall indicate the budget from which such expenditure can be met</p> <p>(ii) shall not incur any item of expenditure beyond the budget value unless the expenditure is necessitated by an emergency. For this purpose, an emergency includes work urgently needed to protect life or property or safeguard the rights or finance of the Trust. Any expenditure of this kind will be subject to the immediate approval of the CEO or nominated deputy and be subsequently resourced from elsewhere in the budget or reserves.</p>
F2.5	At the year-end, budget holders will not have the authority to carry forward an unspent balance or income within their budget, unless specifically agreed by the CEO in consultation with the CFOO. For further information see the unallocated reserves policy.
<b>F3</b>	<b>BUDGET VARIATIONS</b>
F3.1	<p>The CEO or their nominated representative may move the budget within the approved income and expenditure estimates without recourse to the Board, provided that such variations:</p> <ul style="list-style-type: none"> <li>• amount to less than £30,000 of net additional expenditure</li> <li>• do not give rise to a continuing commitment in future years</li> <li>• do not involve the use of sums provided for employee costs in such a way as to require adjustment to the approved staffing establishment of the Trust</li> <li>• do not involve the use of sums provided for capital projects</li> </ul>
F3.2	The net effect of variations upon the budget will be reported to the Board on a regular basis in the management account reports.

<b>F4</b>	<b>CAPITAL PROJECTS</b>
F4.1	The CEO may reallocate resources from one project to another in the capital budget provided that the approval of the Board (via the Finance, Audit and Risk committee) has been obtained for all projects in excess of £75,000 Any application for such approval shall be accompanied by a financial report on the proposal showing the estimated effect of the proposed alteration on current and future revenue and capital projects. Revenue budgets may also be allocated to capital expenditure providing there are funds available.

**G CONTRACTS FOR BUILDING, CONSTRUCTIONAL OR ENGINEERING WORK**

G1	All contracts for capital expenditure funded by DfE School Condition Allowance shall have the CFOO as budget holder but day to day management may be delegated to other Trust budget holders as the CFOO decides.
G2	Payments to contractors on account of contracts shall be made only on a certificate issued by the Architect, Engineer, Quantity Surveyor or other authorised consultant engaged by the Trust or any other member of the staff appointed by the CEO for the purpose.
G3	Subject to the provisions of the contract in each case extra expenditure (over and above any contingency built into the contract) or variation exceeding £30,000 (excluding VAT) or 10% of the contract price, whichever is the lower, shall be authorised in writing by the CFOO or professional project manager after consultation with the CEO or his/her nominated representative, prior to the commencement of the variation. Any variation within the contingency shall be authorised by the member of staff or project manager responsible for the project once they and Trust management are satisfied it is required.
G4	Where the cumulative effect of any extras and variations exceeds £30,000 (excluding VAT) or 10% of the contract price, whichever is the lower, a report will be submitted by the CFOO detailing the reasons for the variations as part of the post project evaluation.
G5	Where the cumulative effect of variations mean that any contractor and/or client contingency will be fully utilised, the Board will be informed of the reasons and to agree whether to increase the budget or change the specification on the advice of the Chief Executive.
G6	The final certificate of completion of any contract shall not be issued on behalf of the Trust until the Architect, Engineer, Quantity Surveyor, consultant or other nominated person as appropriate has produced to the CFOO a detailed statement of account, and all relevant documents if required, and the CFOO has approved the amount certified.
G7	Claims from contractors in respect of matters not clearly within the terms of any existing contract shall be referred to the Trust's consultants for review and if necessary to the Solicitor of the Trust for consideration of the Trust's legal liability and to the CFOO for financial consideration before settlement is reached.

G8	The appropriate employee or consultant, after appropriate consultation and after agreement of the final account, shall submit to the Trust a report of the total cost of each contract. Where the total cost of the work carried out under a contract exceeds the approved amount the causes of the excess expenditure shall be detailed in the submitted report, which shall be discussed with the Board
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**H PURCHASING AND PAYMENT FOR WORKS, GOODS AND SERVICES (INCLUDING CAPITAL PROJECTS)**

<p>H1</p>	<p>Every purchase of works, goods and/or services requires an Official Trust Purchase Order to be issued and approved prior to requesting the works, goods and/or services from a supplier.</p> <p>The only exceptions are small items ordered using the Trust purchasing cards that shall follow the guidance issued for their use (See H4) and Utilities.</p> <p>Each Trust employee is subject to the above requirement. In addition the Budget holder is responsible for ensuring:</p> <ul style="list-style-type: none"> <li>• A budget has been identified and approved in accordance with the Trust financial regulations.</li> <li>• The budget identified is sufficient to cover the intended expenditure.</li> <li>• Any guidance on purchasing including sustainability and local purchasing is followed. Any guidance will be kept updated or advice can be sought from the Trust Central team.</li> </ul>
<p>H1.1</p>	<p>All orders for works, goods and services shall comply with the following regulations:</p> <ul style="list-style-type: none"> <li>(i) They shall be issued on official order forms, as approved by the CFOO. Order forms may be dispatched via mail or electronically to suppliers.</li> <li>(ii) Telephone/email orders should be avoided and shall be placed only after the appropriate written authorisation has been obtained. Telephone/email orders should be confirmed in writing as soon as possible by raising an order and saying "Do Not Send" to avoid confusion.</li> <li>(iii) A register of Authorised Signatories shall be maintained by the Central Team for authorisations that are not carried out online, on the Finance System.</li> <li>(iv) An appropriate cost centre and expense code shall be identified. This shall be a code included in the budget holder's area of responsibility and shall correspond with the type of goods or service described on the invoice.</li> <li>(v) Orders should not be placed for works, goods and services unless: <ul style="list-style-type: none"> <li>(a) the order has been authorised as laid out in H2 (below)</li> <li>(b) the cost is covered by an approved budget.</li> </ul> </li> </ul>

	(c) a competitive tender or quotation has been obtained where required by para H2 of these regulations.
H2	All orders for works, goods and services shall be authorised in accord with the table below:

<b>Value</b>	<b>Purchase Process</b>	<b>Authorisation Requirement</b>
Up to £2,500	Purchasers should ensure they get value for money and take note of any guidance issued by the Central team	Designated Budget Holder or MACS authoriser (MACS)
£2,501 to £15,000	Two written Quotations or Select from Approved Trust Supplier using benchmarked pricing for approved goods / services.	Two authorisations: (1) Budget Holder (2) SBM/Head/MACS
£15,001 to £75,000	Three written Quotations or use Trust approved supplier if have agreed call off contract.	Three authorisations: (1) SBM/Head/HoBFS (2) CFOO (3) CEO
£75,001 or above	Contact CFOO to establish purchase process	Four authorisations: (1) SBM/Head/HoBFS (2) CFOO (3) CEO (4) Board (F & R Committee)

	The CFOO and CEO shall nominate deputies who can act on their behalf if they are away from Trust, e.g. holidays. These authorisation levels apply to the aggregate of orders raised by a budget holder, i.e. orders cannot be split to avoid the purchasing process.
H3	<p><b>Payment Cards</b></p> <p>The use of Purchasing Cards by Trust Staff is controlled by the CFOO. All expenditure by the use of Purchasing Cards is subject to the requirements of the Trust Financial Regulations. Authorisation for a member of staff to become an authorised card user can only be provided by the CEO or their nominated representative. Authorisation of all expenditure by a budget holder must be shown on the monthly returns made to finance.</p> <p>Amendments to the purchasing card limits, will be approved by the CFOO Where appropriate limits can be increased on a temporary basis to cover spikes in purchasing. The limit for single transactions remains at £1,000.</p>

	<p>The Trust uses purchasing cards as an efficient method of procuring travel, accommodation and other sundry items. Cards are not to be used for transactions which can be processed through the accounting system. Each school must establish procedures to deal with purchasing cards. These procedures must ensure that:</p> <ul style="list-style-type: none"> <li>• Purchasing cards must only be used for business (not personal) expenditure</li> <li>• Cards are stored safely</li> <li>• Supporting documentation is held for all transactions</li> <li>• Each statement is reconciled and authorised according to the guidelines in H2 using the form provided and submitted to finance.</li> </ul>
H4.	<p><b>Virtual Card Payment System</b></p> <p>A virtual card can be issued to an employee. The limit should be no more than £5,000, single transactions limited to £1,000. See procedures above.</p> <p>All cards will be issued with a set period of time, no more than 4 weeks.</p> <p>These cards will be available for use on mobile phone apps and can also be used abroad.</p> <p>The banking system is set so that orders for such cards are authorised as follows:</p> <ul style="list-style-type: none"> <li>• Up to £2,500 by MAC,</li> <li>• Above £2,500 by the Lead Business Partner - Accountant.</li> </ul> <p>Further cards with a limit of £250,000 may be raised for use in the Central Finance Team only. These will be used to pay certain suppliers to enable us to receive a free purchase management system for all purchasing cards, virtual or not.</p>
H5.	<p>Purchase Orders for Goods and Services to be required 'on demand' will be termed as 'Open Orders'. Examples include food for school kitchens, sundry caretaking/cleaning items. The authorisation of such orders will be subject to the requirements in Section H2 and should be made before orders are placed.</p>
H6.	<p>Incoming deliveries should be made directly to schools where the goods will be checked against the goods received note (GRN). Any discrepancies should be recorded and discussed by the school with the supplier without delay.</p> <ul style="list-style-type: none"> <li>• If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the central team should be notified.</li> <li>• The GRN should be completed by the school on the finance system recording the actual goods/services received</li> </ul>

## I SALARIES, WAGES, PENSIONS AND OTHER EMOLUMENTS

11	The CFOO shall be responsible for the payment of all salaries, wages, pensions, compensation and other emoluments to all employees of the Trust under arrangements approved and controlled by him/her.
12	The central team shall be responsible for ensuring all records relating to payroll including those of a statutory nature are retained either by the Trust or their payroll provider for a minimum of six years.
13	All Trust staff will be appointed to the salary scales approved by the Board and in accordance with appropriate conditions of service as per the Pay Policy.
14	<p>Nominated Budget holders or their representatives will notify the Trust's payroll provider in writing or appropriately secure electronic means of all matters affecting the payment of emoluments and in particular:</p> <ul style="list-style-type: none"> <li>(i) Appointments, resignations, dismissals, suspensions, secondments and transfers</li> <li>(ii) Absences from duty for sickness or other reason, apart from approved paid leave</li> <li>(iii) Changes in remuneration, including increments, pay awards and agreements of general application</li> <li>(iv) Information necessary to maintain records of service for superannuation, income tax and national insurance.</li> </ul> <p>The central team shall be notified of all changes to ensure budgets are kept up to date and to check the payroll for reasonableness</p>
15	All pay documents and time records shall be in a format approved by the CFOO or Lead Business Partner and shall be checked with the Trust's payroll providers to ensure they meets their needs.
16	All delivery by staff on casual contracts and overtime shall be authorised by the appropriate Budget Holder prior to work being undertaken. Claims shall be checked to ensure they agree to delivery prior to payment being made.
17	The CFOO shall be responsible for payments to non-employees and for informing the appropriate authorities of such payments. Payments for work undertaken will only be made outside the payroll with the written authorisation of the CFOO under exceptional circumstances.
18	All casual and part-time employees will be included on the payroll, unless employed by an agency where the Trust pays the agency for their services. Agency engagements will follow the purchasing processes in Section H.
19	All payments shall be made in accordance with the Trust's payroll procedures and comply with Her Majesty's Revenue and Customs and other statutory regulations.

II0	The Board is responsible for undertaking the role of employer in relation to appropriate pension arrangements for employees.
III	The CFOO is responsible for day to day superannuation matters, including: (i) Payment of contributions to authorised superannuation schemes (ii) Preparing the annual return to any superannuation schemes. This can be devolved to the Trust's payroll provider

## **J TRAVELLING, SUBSISTENCE, ATTENDANCE AND FINANCIAL LOSS ALLOWANCES**

	The following regulations should be read in conjunction with any Trust guidance concerning Expenses and Foreign Travel
J1	All claims by employees for payment of car mileage shall be submitted at monthly intervals to the Central Team in a form approved by the CFOO and duly certified by the employee's line manager.
J2.	Travel claims should be compiled, processed by the employee and certified by the employee's line manager.
J3	Payment of other travelling expenses, subsistence allowances and incidental expenses shall be made on the next appropriate payment run or included in salary payments if agreed with the payroll provider.
J4	The names of staff authorised to sign such records shall be sent to Finance together with specimen signatures and shall be amended on the occasion of any change.
J5	Payments to Members, Trustees or School Governing Body (SGB) members who are entitled to claim travelling, subsistence, attendance or financial loss allowances will be made by Finance upon receipt of the prescribed form duly completed, and authorised by the Chair (or Chair of Finance, Audit and Risk for the Chair's expenses) at the same rate as staff. Members, Directors or SGB members will not normally receive anything other than travel and subsistence allowances when on Trust business
J6	Certification of a claim shall be taken to mean that the journeys were authorised and the expenses properly and necessarily incurred and reasonable in nature and size and that the allowances are properly payable by the Trust in accordance with the approved rates.
J7	Travel in respect of an educational visit shall be subject to advance approval by the relevant academy, including completion of risk assessments. Where the visit is overseas, approval shall be obtained from the CEO before the booking is made.
J8	Where foreign travel (excluding accompanying educational visits) is planned by the CEO or Trustees etc, approval shall be sought in advance from the Chair or Vice Chair. Foreign travel by other members of staff, shall be subject to approval by the Chief Executive.
J9	Claims for foreign travel and subsistence should be consistent with the estimated breakdown of costs provided in advance of the overseas trip. Any variances should be highlighted within the report submitted to the CEO subsequent to the overseas visit.

**K PAYMENT OF ACCOUNTS**

<b>K1</b>	<b>OVERVIEW OF PAYMENTS SYSTEM</b>
K1.1	All payment systems shall be under the control of the CFOO and shall be amended only with his/her authorisation.
K1.2	The Trust shall operate one main bank account for the payment of the majority of expenditure. Academies may have a school fund to use for fundraising income and expenditure if they wish. With the exception of petty cash the method of payment of money due from the Trust shall be by cheque, BACS (preferred), CHAPS, or other instrument drawn on the Trust banking accounts.
K1.3	<p>Invoices will be processed by the central team, invoices relating to GRN's will not go to schools for authorisation unless there is a discrepancy on volumes (any) or value ( 10% or £100, whichever is higher), where the budget holder will need to approve the invoice.</p> <p>Invoices where there is no order will be passed to schools for authorisation (along with a reminder re the purchasing process) unless it relates to SLA with NCC where the central team can check against the portal to confirm school buy in. Note the authorisation process for such invoices will be the same as for orders in Section H</p>
K1.4	Where consultants have been appointed to supervise a contract, they shall be authorised to certify payments to contractors, these shall then be authorised by the relevant Trust budget holder, CFOO and payments will be in accordance with current Trust regulations.
K1.5	Invoices that are entered on the finance system and have reached their calculated payment date will be picked up on the weekly payment run. Payments are generated as electronic bank payments via the banking software and payments are subject to the authorisation and controls of the online banking system.
K1.7	The Trust shall normally pay suppliers within 30 days of the invoice date subject to the validity of the invoice, and the terms and conditions of the purchase order or contract.
K1.8	<p>Where an urgent payment is required, the reason for this should be put in writing (e.g. email) to the Central team by a budget holder and will be approved by the CFOO or deputy in their absence.</p> <p>Where possible the payment will be added to the weekly pay run but if this is not possible payment can be made directly through online banking or a cheque signed in accordance with the bank mandate.</p>

**K2****PETTY CASH**

K2.1	The CFOO shall provide such imprest accounts as he/she considers appropriate for the purpose of defraying petty cash disbursements. Such accounts shall be maintained on an imprest system. Wherever possible though, purchases shall be made through the Trust's main purchase ledger system or using a purchasing card.
K2.2	No income received on behalf of the Trust may be paid into an imprest account.
K2.3	Payments shall be limited to minor items of expenditure and to such other items as the CFOO may approve. Reclaims of petty cash should not normally exceed £50. Requests for reimbursement above this value shall be paid by BACS using the appropriate expenses claim form.
K2.4	A member of staff responsible for an imprest account shall ensure that all cash is kept in a safe or other locked, authorised place, secure from unauthorised interference. If so requested, give the CFOO or nominated deputy shall have access to all records and monies held to check the funds.
K2.5	Payments from imprest accounts will be subject to these Financial Regulations and should not be used as an alternative to the Order of Works, goods, and Services as laid out in Section H.
K2.6	Payments shall be supported by receipted vouchers, authorised by a budget holder. Value Added Tax invoices containing the appropriate Value Added Tax registration number shall be obtained to enable Value Added Tax to be reclaimed, where possible.
K2.7	On leaving the employment of the Trust or at any other time required by the CFOO, the account holder shall account for the amount advanced to him/her.
K2.8	All petty cash vouchers and claims shall be certified as correct by the budget holder and authorised by their line manager and submitted with a claim for reimbursement at such periods as when the Imprest Account has been reasonably expended or at such periods as the CFOO shall determine.

**L INCOME**

<b>L1</b>	<b>GENERAL RESPONSIBILITIES AND TYPES OF INCOME</b>
L1.1	All the systems for the recording of income shall be under the control of the CFOO and shall be amended only with his/her express authorisation.

L1.2	Copies of all proposed contracts/leases/other similar arrangements are to be sent to the CFOO at an early stage of negotiations.
L1.3	Each Budget Holder shall furnish the Central Finance Team promptly with details on work done, goods supplied or services rendered and any other information that may be required to record correctly all sums due to the Trust and to ensure that invoices can be raised promptly.
L1.4	<p><b>Grant Funding</b></p> <p>The main sources of income for The Trust are the revenue and capital grants from the DfE. The receipt of these sums is monitored directly by the Finance Team who are responsible for ensuring that all grants due to The Trust are collected.</p> <p>Revenue funding is largely driven by pupil numbers. Census returns will be completed and authorised in each school and an authorised signed copy will be kept on file:</p> <p>Applications for any significant additional grant funding, including capital bids, will be subject to approval from the Accounting Officer and the Board.</p>
L1.5	<p>The Trust and individual schools also obtain income from:</p> <ul style="list-style-type: none"> <li>• pupils/parents, mainly for meals, trips and activities</li> <li>• nursery and out of school supervision</li> <li>• the public, mainly for sports and other lettings</li> <li>• insurance claims.</li> </ul> <p><b>Residential Trips and other visits</b></p> <p>Each school follows the NCC Evolve system for Trips.</p> <p>The Financial Procedure is as follows:</p> <ul style="list-style-type: none"> <li>• A Trip requirements <u>form</u> must be completed for each trip and submitted to Central Finance.</li> <li>• Trips should be designed to cover costs</li> <li>• Central team will issue a Trip Code.</li> <li>• Income for all trips should be received via MCAS.</li> <li>• All Trip correspondence should have a note similar to the following: ‘We are relying upon voluntary contributions to run this trip, if insufficient funds are received then it is possible that the Trip may be cancelled.’</li> <li>• If insufficient monies are received to cover the costs of a school trip then consideration should be given as to whether that trip should be cancelled. If the proposed loss is greater than £500 then the Finance of the Trip must be agreed by the CFOO. See <u>Dfe Guidelines</u></li> </ul>

	<ul style="list-style-type: none"> <li>If a surplus is made of more than £50 per pupil then a refund must be made to parents/carers.</li> </ul> <p><b>Other Income - including Lettings &amp; Hire of Facilities/ Nursery and Wrap Around Care/School Meals</b></p> <p>Each school must establish procedures to deal with other income. These procedures must ensure that;</p> <ul style="list-style-type: none"> <li>Adequate records are maintained of all bookings made</li> <li>Payment should be made in advance wherever possible</li> <li>Sales invoices are requested from the central team where appropriate</li> <li>Debts will be monitored and promptly chased up, with the assistance of the central team, if requested</li> <li>All other requirements, eg checking of insurance, risk assessments etc are undertaken</li> <li>Debts will be monitored and promptly chased up but debts up to £350 can be written off at the discretion of the Headteacher. A record must be kept of any debts written off and submitted to the CFOO.</li> </ul>
<b>L2</b>	<b>COLLECTION OF CASH</b>
L2.1	<p>All cash transactions should be kept to a minimum.</p> <p>The collection of all money due to the Trust and its custody, control and deposit shall be in accordance with arrangements agreed with the CFOO. Where monies are received via a Trust till appropriate X and Z readings must be taken and reconciled to the sums passed to the Trust Finance department or Bank. The Trust employees responsible for operating the till must sign the documentation passed to the School Admin Office and investigate and account for material under or over banking.</p>
L2.2	<p>All receipt forms, books, tickets and other such items deemed controlled financial stationery shall be ordered and supplied by the Central Finance Team eg Paying in books</p>
L2.3	<p>All cash received by an employee on behalf of the Trust shall without delay be remitted to their School Admin Office or central team who will organise for it to be paid into the Trust bank account, or school fund, where appropriate. Every transfer of official money from one member of staff to another will be evidenced in the records by the signature of both employees.</p>
L2.4	<p>Each school must establish procedures to deal with income banking. These procedures must ensure that;</p> <ul style="list-style-type: none"> <li>All cash and cheques must be kept in the safe prior to banking or other secure location, eg cashbox.</li> </ul>

	<ul style="list-style-type: none"> <li>• Safe/cashbox keyholders are identified and keys are kept in a safe place</li> <li>• Cash and cheques must be recorded on the Trust income recording form and submitted to finance as soon as the money is banked</li> <li>• Two members of staff must verify each banking</li> <li>• Banking should take place regularly, at least once a term. Cash held must not exceed the insurance limit on the safe of £5,000 or £250 where no safe exists.</li> <li>• Schools may bank cash themselves or use a cash collection service if preferred.</li> <li>• Staff should not carry large amounts of cash (more than £2,000) by themselves, in those cases 2 members of staff should go to the bank. Banking should not be done at the same time each week to reduce risk. Cheques are much lower risk as they should be made out to the Trust and cannot be cashed if lost/stolen</li> <li>• Monies collected must be banked in their entirety in the Trust account.</li> <li>• Bankings must be reconciled to source records of income received by finance</li> <li>• Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include: <ul style="list-style-type: none"> <li>○ the amount of the deposit, and</li> <li>○ a reference, such as the number of the receipt or the name of the debtor.</li> </ul> </li> </ul>
<b>L3</b>	<b>DEBTORS SYSTEM</b>
L3.1	The CFOO shall be responsible for maintaining an appropriate debtor system for the timely recovery of debt owed to the Trust including the use of collection agencies where appropriate.
L3.2	Credit notes in excess of £2,000 will only be issued on the authority of the CFOO or his/her nominated representative.
<b>L4</b>	<b>DEBTORS POLICY</b>
L4.1	The Trust shall adopt a Debtors Policy that shall require assessment of customer credit limits. Customer credit references will be sought at the discretion of the CFOO.
L4.2	The relationship with customers shall be governed by the Trust's standard terms and conditions for the transaction in question unless otherwise agreed in writing between the parties.

L4.3	Reminder letters will be issued to debtors after 30 and 60 days. If after this time the debt remains unpaid, the Trust will decide with the school what further action to take, eg letter before action, use of debt collection agency.
	<b>Debt Write off</b>
L4.4	<p>The Trust must obtain DfE's approval for transactions beyond the delegated limits set out below:</p> <ul style="list-style-type: none"> <li>· writing-off debts and losses</li> <li>· entering into guarantees, letters of comfort or indemnities</li> </ul> <p>The delegated limits, subject to a maximum of £250,000, are:</p> <ul style="list-style-type: none"> <li>(i) 1% of total annual income or £45,000 (whichever is smaller) per single transaction</li> <li>(ii) cumulatively, 2.5% of total annual income in any financial year per category of transaction for any trusts that have not submitted timely, unqualified audited accounts for the previous two financial years.</li> <li>(iii) cumulatively, 5% of total annual income in any financial year per category of transaction for any trusts that have submitted timely, unqualified audited accounts for the previous two financial years</li> </ul> <p>In relation to these limits:</p> <ul style="list-style-type: none"> <li>(i) the Trust should always pursue recovery of amounts owed to it, including overpayments, or payments in error. In practice, however, there will be practical and legal limits to how cases should be handled</li> <li>(ii) the Trust should only consider writing-off losses after careful appraisal of the facts, including whether all reasonable action has been taken to effect recovery from the debtor, the Trust's insurers, or the risk protection arrangement, and should be satisfied there is no feasible alternative</li> <li>(iii) the amounts for write-offs are before any successful claims from an insurer or the risk protection arrangement</li> <li>(iv) total annual income is defined as grant income as disclosed in the Trust's last audited accounts.</li> </ul>
L4.5	<p>Where there is no prospect of a debt being paid, e.g. organisation in receivership or the cost to action recovery would be greater than the amount owed, they may be written off with the following authorisation levels:</p> <ul style="list-style-type: none"> <li>• debts under £350 the headteacher</li> <li>• debts over £350 the CFOO</li> <li>• debts over £2000 the CEO</li> <li>• debts of over £5,000 the board of trustees</li> <li>• debts of over £45,000 the DfE (limit per the Academy Trust Handbook).</li> </ul>

	A summary statement of amounts written off under paragraphs shall be submitted annually to the Finance, Audit & Risk Committee.
<b>L5</b>	<b>CHARGES AND REMISSIONS</b>
L5.1	The Trust Policy shall be reviewed regularly. Schools may have their own more detailed guidance if they wish but shall ensure it does not conflict with the overarching policy.
<b>L6</b>	<b>NON RECURRENT GRANTS AND CONTRACTS</b>
L6.1	Each grant or contract shall have a named Project Leader. A copy of all grant claims must be submitted to <a href="mailto:income@cheviotlt.co.uk">income@cheviotlt.co.uk</a> to ensure correct allocation of monies received.
L7.2	The Project Leader shall be responsible for ensuring that the financial implications have been appraised by the CFOO and/or his/her representative prior to entering into a commitment to meet any conditions attached to the grant or contract.
L7.3	The grant or contract application and claim shall be costed in line with the Trust's policy with regard to indirect costs and other expenses and take account of different procedures for the pricing of projects depending upon the nature of the funding body.
L7.4	The CFOO is responsible for the maintenance of a Register of Contracts and Grants with external bodies. The Project Leader in conjunction with the CFOO and/or his/her representative will be responsible for the maintenance of all financial and other records relating to contract or grant funded activity. The Project Leader shall initiate all claims for reimbursement from sponsoring bodies by the due date.

## **M BANKING ARRANGEMENTS**

M1	The CFOO is responsible for liaising with the Trust's bankers in relation to the operation of the Trust's bank accounts. Only the CEO and CFOO may open or close a bank account for dealing with the Trust's funds. All bank accounts shall be in the name of the Trust.
M2	The authorisation to the bank for all financial transactions will be in line with the Mandate agreed between the bank and the Board. A list of authorised signatories will be maintained by the central Central team.
M3	The CFOO shall be responsible for ensuring the reconciliation of all bank accounts and the investigation of large or unusual items as appropriate.
M4	All cheque payments shall require two signatures from Chief Executive, CFOO, Head of Business and Financial Services.
M6	Online payments shall be made in accordance with the online banking approved by the Board where 2 senior members of the Central team shall approve all payments. A paper copy of the payments signed by one of the senior members of the Central team shall be retained.

## N FINANCIAL PROCEDURES AND ACCOUNTING

N1	<b>PROCEDURES/ STATIONERY</b>
N1.1	All accounting procedures and records of the Trust shall be determined by the CFOO after consultation with the internal and external auditors.
N1.2	All forms to be used by schools shall be stored on a shared drive that all schools have access to. The drive will contain the most up to date version of any forms to be used by schools
N2	<b>ALLOCATION OF FINANCIAL DUTIES</b>
N2.1	<p>The following principles shall be observed in the allocation of accounting duties:</p> <ul style="list-style-type: none"> <li>(i) the duties of providing the information regarding sums due to or from the Trust and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or distributing them.</li> <li>(ii) staff charged with the duty of examining and checking, and authorising transactions shall not themselves be engaged in any of these transactions. All cash transactions actions shall be checked independently of their origination.</li> <li>(iii) all statutory financial returns shall be reviewed before despatch by the CFOO his/her nominated representative and subject to audit by the External or Internal Auditor to the Trust as appropriate. Where returns are prepared within the Finance Section, review will be carried out independent of preparation.</li> </ul>
N3	<b>RETENTION OF FINANCIAL DOCUMENTS</b>
N3.1	The CFOO shall be responsible for the retention of financial documents in line with the Trust document retention policy. These shall be kept in a form acceptable to the relevant authorities.
N3.2	<p>The Trust is required by law to retain prime documents for six years. These include:</p> <ul style="list-style-type: none"> <li>(i) paid invoices</li> <li>(ii) accounts raised</li> <li>(iii) bank statements</li> <li>(iv) copies of receipts.</li> </ul> <p>Additionally, for auditing and other purposes, other financial documents shall be retained for the time period stipulated in contracts and / or agreements.</p>
<b>N4</b>	<b>AMENDMENTS TO FINANCIAL RECORDS</b>

N4.1	Amendment to a Trust financial document will be submitted to the CFOO/Board as necessary stating briefly the reasons where they are not self-evident.
<b>N5</b>	<b>COMPILATION OF ACCOUNTS AND ACCOUNTING RECORDS</b>
N5.1	The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards (extract from the responsibility statement within the proforma financial statements).
N5.2	All accounts and accounting records of the Trust shall be compiled by the CFOO or under his/her direction.
N5.3	The CFOO shall be responsible for the maintenance of the Trust's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate. Professional advice will be obtained, as required.

## O ANNUAL FINANCIAL REPORTS

O1	Each year the CEO and the CFOO shall submit to the Board a report incorporating the Annual Report and Financial Statements.
O2	The CFOO shall be responsible for drawing up a timetable for final accounts purposes and will agree this with staff and the external auditors accordingly.
O3	Budget Holders will furnish such information as the CFOO or CEO deem necessary for the completion of the above report.
O4	The financial statements shall be prepared for the financial year ending 31 August, in the format specified by the DfE.
O5	The financial statements will be subject to Board approval prior to submission to the DfE by the specified deadline. Prior to this they will have been examined by the Finance, Audit and Risk Committee and the Finance, Audit and Risk Committee
O6	Any Internal Audit Reports for the year will have been received by the Finance, Audit and Risk Committee prior to receiving the accounts for recommendation to the Board for signing.

<b>P1</b>	<b>GENERAL</b>
P1.1	The Board shall arrange external and internal audit in accordance with the requirements and guidance published by the DfE.
<b>P2</b>	<b>INTERNAL AUDIT</b>
P2.1	<p>Internal audit <b>must</b>:</p> <ul style="list-style-type: none"> <li>• be independent and objective – for example it <b>must not</b> be performed by the Trust's own accounting officer, CFOO or other members of the senior leadership or Central team</li> <li>• be conducted by someone suitably qualified and experienced and able to draw on technical expertise as required</li> <li>• be covered by a scheme of work, driven and agreed by the Finance, Audit and Risk committee, and informed by risk</li> <li>• be timely, with the programme of work spread appropriately over the year so higher risk areas are reviewed in good time</li> <li>• include regular updates to the Finance, Audit and Risk committee by the person(s) or organisation(s) carrying out the programme of work, incorporating:             <ul style="list-style-type: none"> <li>○ a report of the work to each Finance, Audit and Risk committee meeting, including recommendations where appropriate to enhance financial and non-financial controls and risk management</li> <li>○ an annual summary report to the Finance, Audit and Risk committee for each year ended 31 August outlining the areas reviewed, key findings, recommendations and conclusions, to help the committee consider actions and assess year on year progress.</li> </ul> </li> </ul> <p>The Trust shall manage a programme of risk review and checking of controls in the way most appropriate to their circumstances. Options include:</p> <ul style="list-style-type: none"> <li>(i) the appointment of an internal audit service (either in-house, bought-in or provided by a sponsor)</li> <li>(ii) the appointment of a non-employed trustee with an appropriate level of qualifications and/or experience to check the Trust's internal controls, who neither charges nor is paid by the Trust for their work</li> <li>(iii) a peer review, with the work being performed by the CFOO, or a suitably qualified or experienced member of the Central team, from another academy Trust</li> </ul>

	<p>(iv) employing an internal auditor</p> <p>The Trust may combine the above options. The Trust must confirm in its governance statement, accompanying its annual accounts, which of the options it has applied and why. The outcome of the work should also inform the accounting officer's statement of regularity in the annual accounts. Cheviot Learning Trust consider that the appointment of a suitable firm to provide the service is the preferred route.</p> <p>The findings from the above programme of work must be made available to all trustees promptly via reporting to the Finance, Audit and Risk Committee. The Trust must also provide DfE, on request, with the findings.</p>
P2.2	<p>The work on controls and risk review shall appraise the soundness, adequacy and application of the whole system of internal control</p> <ul style="list-style-type: none"> <li>(i) ascertain the extent to which the whole system of internal controls ensures compliance with established policies and procedures</li> <li>(ii) ascertain the extent to which the assets and interests entrusted to, or funded by, the Trust are properly controlled and safeguarded from losses of all kinds</li> <li>(iii) ascertain that management information is reliable as a basis for the production of financial, statistical and other returns</li> <li>(iv) to ascertain the integrity and reliability of information provided to management including that which is used in decision making</li> <li>(v) ascertain that systems of control are laid down and operate to achieve the most economic, efficient and effective use of resources.</li> </ul>
P2.3	<p>The Auditor shall have rights of access to the Trust's personnel, premises, documents, records, information, assets, its companies and collaborative partners, and is authorised to obtain such financial and other information and explanations, which they consider necessary to fulfil their responsibilities.</p>
<b>P3</b>	<b>EXTERNAL AUDIT</b>
P3.1	<p>The Members appoint the External Auditor for a period of up to 5 years, subject to satisfactory annual review by the Finance, Audit and Risk Committee and recommendation to the Members. Remuneration shall be fixed by the Members on the advice of the Finance, Audit and Risk Committee. The audit contract must be in writing. This letter of engagement must only cover the external audit. If additional services are purchased, a separate letter of engagement must be obtained specifying the requirements of the work and the fee.</p>
P3. 2	<b>Removal of External Auditors</b>
P3.2.1	<p>The letter of engagement must provide for the removal of auditors, before the expiry of the term of office, in exceptional circumstances. Proposals to remove</p>

P3.2.2	<p>auditors require a majority vote of the members who must provide reasons for their decision to the board. There must be a requirement in the letter of engagement for the auditors to provide the Trust with an explanation if the auditors resign, within 14 days of their resignation.</p> <p>The board of trustees must notify DfE immediately of the removal or resignation of the auditors. For removal, the Trust must notify DfE of the reasons for the removal. For resignation, the Trust must copy to DfE a statement of explanation from the auditors. A change in auditor at the expiry of their agreed term of office does not require notification to DfE.</p>
P3.3	<p>The primary role of external audit is to report on the Trust's financial statements and to perform such examination of the statements, underlying records and control systems as are necessary to reach their opinion on the statements. They report on the appropriate use of funds in accordance with relevant legislation, the Financial Memorandum with the DfE and any other terms and conditions attaching to them.</p>
P3.4	<p>External Audit shall obtain such financial and other information and explanations, which it considers necessary to fulfil its responsibilities including unrestricted access to the files and working papers of internal audit.</p>
P4	<p><b>REGULARITY AUDIT</b></p>
P4.1	<p>An accounting officer's statement on regularity, propriety and compliance will be included in the Academy Trust's annual accounts. This is a declaration by the accounting officer that they have met their responsibilities to Parliament for the resources under their control during the year. It includes a responsibility to ensure that:</p> <ul style="list-style-type: none"> <li>• there is efficient and effective use of resources in their charge (value for money)</li> <li>• public money is spent for the purposes intended by Parliament (regularity)</li> <li>• appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under their control (propriety)</li> </ul>
P 4.2	<p>The format of the statement is in DfE's Accounts Direction. The accounting officer also has responsibility to advise the board of trustees and DfE of any instances of irregularity or impropriety, or non-compliance with the funding agreement or handbook.</p>
P4.3	<p>A review of the accounting officer's statement will be included within the remit of the Trust's external auditors. The auditor's conclusions on regularity must be addressed jointly to the Trust and to DfE.</p>

<p>Q1.1</p>	<p><b>Receiving Gifts</b></p> <p>A member of staff, Trustee or Member must not, either directly or indirectly, accept any gift (items of value other than a cash or monetary payment, for example, Christmas Hamper), hospitality (includes invitation to dinners and events by a third party) or benefit from any member of the public or organisation with whom he or she has been brought into contact with by reason of their duties, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• When gifts or hospitality are offered to staff, Trustees or Members in return for their contribution as part of their duties, they may be accepted provided that the value of the gift does not exceed £25. Where gifts of a value greater than £25 are offered, the acceptance should be recorded in a Register to be maintained by the School and will, where appropriate, remain the property of the Trust. Inclusion in the Register is necessary where the cumulative value of gifts and /or hospitality from an organisation/individual exceeds £25 in a twelve-month period</li> <li>• conventional hospitality provided it is normal and reasonable in the circumstances. In considering what is normal and reasonable regard should be had to:             <ul style="list-style-type: none"> <li>○ the degree of personal involvement- there is no objection to the acceptance of, for example, an invitation to the annual dinner of a large trade organisation or of working lunches.</li> <li>○ the usual conventions of returning hospitality - the occasional acceptance of, for example, a meal would not offend the rule</li> <li>○ the total cost of hospitality which may include, for example, travel and overnight accommodation</li> <li>○ the timing of such hospitality in relation to procurement or purchasing decisions the Trust is taking.</li> </ul> </li> <li>• Staff, Trustees or Members should seek advice from the CEO or CFOO if they are unsure whether to accept a gift.</li> <li>• It is never acceptable to accept cash as a gift.</li> </ul>
<p>Q1.2</p>	<p>Staff or Trustees responsible for the purchase/authorisation of supplies or equipment should take particular care to ensure that there can be no criticism that unequal treatment has been given to suppliers involved in a tender process.</p>
<p>Q1.3</p>	<p>Staff, Trustees or Local Governors may not receive any fee i.e. cash sum, cheque or payable order, from another person or organisation for work related in any way to their employment by the Trust.</p>

Q2.1	<p><b>Giving Gifts</b></p> <p>Any gifts bought for members of staff such as maternity, leaving etc. should be paid for by personal staff collections and not Government funds.</p> <p>However, there may be occasions where it is considered appropriate to provide a gift from the Trust (bereavement etc.). On such occasions the Trust must ensure that the value of the gift is reasonable, is within its scheme of delegation of financial powers, the decision is fully documented and has due regard to propriety and regularity in the use of public funds. Gifts must be approved by the Head or Chief Executive. Gifts should be purchased from unrestricted funds, or funds for which this purpose is considered appropriate (i.e. not funds provided by the Government). The gift must not contain alcohol.</p>
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## R FRAUD & IRREGULARITY

R1	The Board is responsible for ensuring that the financial, planning and other management controls, including controls against fraud and theft, applied by the Trust, are appropriate and sufficient to safeguard public funds.
R2	Whenever any matter arises which involves, or is thought to involve, irregularities or fraud concerning cash, equipment or other property of the Trust or any other suspected irregularity in the exercise of the activities of the Trust, the CEO shall be informed immediately. The CEO shall take such steps as considered necessary by way of investigations and report using the Trust disciplinary policy. Where the allegation is against the CEO, the Chair of the Board will be notified.
R3	Where the external auditor or internal auditor identifies or is informed of a serious weakness or an accounting or other control breakdown it shall be reported to the CEO, the Chair of the Board and the Chair of the Finance, Audit and Risk Committee without delay.
R4	Where the Finance, Audit and Risk Committee feels there is evidence of irregularity, fraud, corruption or any impropriety, the Chair shall notify the CEO and the Chair of the Board.
R5	The Trust must notify DfE, as soon as possible, of any instances of fraud, theft and/or irregularity exceeding £5,000 individually, or £5,000 cumulatively in any academy financial year.
R6	Any unusual or systematic fraud, regardless of value, must also be reported. The following information is required: <ul style="list-style-type: none"> <li>● full details of the event(s) with dates</li> <li>● the financial value of the loss</li> <li>● measures taken by the Trust to prevent recurrence</li> <li>● whether the matter was referred to the police (and if not why)</li> <li>● whether insurance or the RPA have offset any loss</li> </ul>
R7	DfE also publishes guidance on reducing fraud. Trusts should refer to this and to the findings from DfE's investigation reports, as part of its risk management approach.

## S PROPERTIES, FIXED ASSETS AND ASSET LEASING

S1	<b>ACQUISITION AND DISPOSAL OF ASSETS</b>
S1.1	Once the Board has given consent, approval must be obtained from DfE for the following: <ul style="list-style-type: none"> <li>● acquiring a freehold of land or buildings</li> <li>● disposing of a freehold of land or buildings</li> <li>● disposing of heritage assets, as defined in financial reporting standards, beyond any limits in the funding agreement for the disposal of assets generally</li> </ul>

S1.2	Other than land, buildings and heritage assets, the Trust can dispose of any other fixed asset without DfE's approval.
S1.3	Where assets are deemed by the CEO surplus to requirements or obsolete, the CFOO shall invite offers by means agreed with the Chief Executive, unless he/she has certified that the equipment is of a negligible value of £500 or less or is being traded in for a reasonable allowance in part exchange for other goods. He/she shall be authorised to accept the highest offer received. See also S2.2
S1.4	The levels for capitalisation shall be £5,000
	<p>Depreciation is recorded based on the Straight Line method. The useful life of an asset may vary depending on the condition and use. The life period also needs to take account of how long the asset is expected to meet current service demands. The following life spans are used as a guide:</p> <ul style="list-style-type: none"> <li>• Land not depreciated</li> <li>• Freehold buildings: up to 50 years</li> <li>• Long leasehold: over 50 years</li> <li>• Leasehold/freehold improvements: 25 to 50 years</li> <li>• Fixtures, fittings and equipment: up to 5 years</li> <li>• ICT equipment: up to 3 years</li> <li>• Motor vehicles: up to 3 years</li> </ul>
S2	<b>Asset Register</b>
S2.1	The Central team shall be responsible for the maintenance of the Trust's fixed asset register for those assets, which have been capitalised in accordance with the Trust's statement of accounting policies contained within the Annual Report and Financial Statements. This shall identify each school that holds the asset, its value and depreciation and shall correspond to Trust Financial records.
S2.2	Each school shall be responsible for undertaking an annual check, on a sample basis, of items on their asset register to check condition etc. Any amendments should be properly authorised and sent to the Central Team.
S2.3	All items in the register shall, so far as practicable, be marked to identify them as Trust property.
<b>S3</b>	<b>Leasing</b>
S3.1	<p>There are two types of lease:</p> <ul style="list-style-type: none"> <li>• finance leases: these are a form of borrowing</li> <li>• operating leases: these are not considered borrowing</li> </ul>
S3.2	<p>DfE's approval must be obtained for the following leasing transactions:</p> <ul style="list-style-type: none"> <li>• taking up a finance lease on any class of asset for any duration from another party</li> <li>• taking up a leasehold or tenancy agreement on land or buildings from another party for a term of seven or more years</li> <li>• granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party</li> <li>• New electric vehicle salary sacrifice schemes.</li> </ul>
S3.3	Other than in S3.2, DfE approval is not required for operating leases.

**T****SECURITY**

T1	The CFOO is responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash and such like in conjunction with the schools.
T2	Maximum limits for cash holdings in each school shall be agreed with the CFOO and shall not be exceeded without his/her express permission. See L2.4.
T3	The CFOO shall determine who shall be authorised to hold responsibility for key to safes and other receptacles.
T4	Keys to safes and similar receptacles are to be carried on the person of those responsible at all times or in a secure location. The loss of any such keys shall be reported to the CFOO as soon as discovered.
T5	The CFOO shall be responsible for maintaining the proper security and privacy of information held on the finance system.
T6	The restriction of access to the finance system will be enforced by the use of usernames, passwords and the observation of general physical security measures. It is the responsibility of each authorised user to ensure that his/her access password(s) remain confidential and that unauthorised usage of the system is avoided by, for example, logging out when the application is not in use.
T7	The CFOO shall be responsible for maintaining the proper security of any mechanical procedure giving rise to the authorisation of financial documentation, such as electronic signatures. All such procedures will be subject to the approval of the CFOO.
T8	Wherever a signature is required on a financial document of any nature the signatory will sign his/her own name in ink unless the signature is mechanically imprinted through a secure system falling under para T7 above.
T9	The CFOO is responsible for the safekeeping of official and legal documents relating to the Trust, although the actual documents may be stored in the relevant Trust school in a secure location. Schools shall ensure that all contracts are logged on a spreadsheet or electronic system with the Trust, that includes information such as start and end dates.

**U INSURANCES**

U1	The CFOO shall ensure the Trust makes suitable comprehensive insurance arrangements and follows any guidance issued.
U2	The Board may, if they so wish, effect additional insurance cover.
U3	The CFOO shall be immediately notified in writing of any loss, liability or damage or any event likely to lead to a claim and will provide advice on how to make a claim.
U4	All staff using their own vehicles on behalf of the Trust shall maintain appropriate insurance cover for business use which shall be checked from time to time by the finance department and ensure their vehicle is in good working

	order. Further information is included in the Trust Expenses, Gifts and Hospitality policy.
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## V INVESTMENTS AND BORROWINGS

V1	All investments of money under its control shall be made in the name of the Trust.
V2	Following Trust approval, DfE must give approval for borrowing (including finance leases and overdraft facilities) from any source, where such borrowing is to be repaid from grant monies or secured on assets funded by grant monies, and regardless of the interest rate chargeable. It is likely that approval will only be granted in exceptional circumstances.
V3	Purchasing cards must only be used for business expenditure.
V4	The CFOO shall maintain records of all borrowing and investment of money by the Board.
V5	<p>The investment, borrowing and management of funds shall be carried out in accordance with the Trust's treasury management policy. This policy ensures that investment risk is properly managed. When considering an investment, the board must:</p> <ul style="list-style-type: none"> <li>• act within its powers to invest as set out in its Articles</li> <li>• have an investment policy to manage and track its financial exposure, and ensure value for money</li> <li>• exercise care and skill in investment decisions, taking advice as appropriate from a professional adviser</li> <li>• ensure that exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximisation</li> <li>• ensure that investment decisions are in the best interests of the Trust</li> <li>• review the Trust's investments and investment policy regularly</li> </ul>
V6	<p>All executive decisions on investment of short-term liquid funds shall be delegated to the CFOO and senior finance staff who are professionally qualified. The CEO will also be consulted to ensure the Trust has sufficient cash flow available at any time. In managing the investment of surplus monies, the investment objective is to optimise</p> <ul style="list-style-type: none"> <li>• returns to the Learning Trust while meeting the overriding need to protect the capital sum. In balancing risk against return, the Learning Trust must be more concerned to avoid risk than to maximise return.</li> <li>• A minimum balance of accessible funds, after committed any expenditure, of £350,000 must be maintained.</li> <li>• At each meeting, the Finance, Audit and Risk Committee shall receive:</li> </ul>

	<ul style="list-style-type: none"> <li>○ The Academy’s cash flow projections for the following 12 months</li> <li>○ A schedule of cash transactions placed overnight and on fixed-term deposit with</li> <li>○ details of interest accrued.</li> <li>● Prior approval will be sought from the DfE before all investment transactions that are novel, contentious and/or repercussive, regardless of value.</li> </ul>
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**W RELATED PARTY TRANSACTIONS**

<b>W1</b>	<b>PRINCIPLES REGARDING RELATED PARTY TRANSACTIONS</b>
W1.1	<p>Members and Trustees must be even-handed in their relationships with related parties by ensuring that:</p> <ul style="list-style-type: none"> <li>● they avoid conflicts of interest, don’t accept benefits from third parties, and declare any interest in proposed transactions or arrangements</li> <li>● all members, trustees, school governors and senior employees have completed the register of interests, that complies with the Academies Handbook.</li> <li>● no member, trustee, local governor, employee or related individual or organisation uses their connection to the Trust for personal gain, including receiving payment under terms that are preferential to those that would be offered to an individual or organisation with no connection to the Trust.</li> <li>● there are no payments to any trustee unless permitted by the Articles , or once authority from the Charity Commission has been received, and comply with any relevant agreement with the Secretary of State. The Trust will need to consider these obligations where payments are made to other business entities who employ the trustee, are owned by the trustee, or in which the trustee holds a controlling interest.</li> <li>● the Charity Commission’s approval is obtained where the Trust believes a significant advantage exists in paying a trustee for acting as a trustee</li> <li>● any payment provided to a related party is ‘at cost’ as described by the Academies Handbook. The Trust shall take account of the Charity Commission’s guidance for trustees CC11: Trustee expenses and payments.</li> </ul>

W1.2	The board of trustees must ensure requirements for managing related party transactions are applied across the Trust. The chair of the board and the accounting officer must ensure their capacity to control and influence does not conflict with these requirements. They must manage personal relationships with related parties to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with the seven principles of public life.
W1.3	<p>The Trust must recognise that some relationships with related parties may attract greater public scrutiny, such as:</p> <ul style="list-style-type: none"> <li>• transactions with individuals in a position of control and influence, including the chair of the board and the accounting officer</li> <li>• payments to organisations with a profit motive, as opposed to those in the public or voluntary sectors</li> <li>• relationships with external auditors beyond their duty to deliver a statutory audit</li> </ul> <p>The Trust must keep sufficient records, and make sufficient disclosures in their annual accounts, to show that transactions with these parties, and all other related parties, have been conducted in accordance with the high standards of accountability and transparency required within the public sector.</p>
<b>W2</b>	<b>REPORTING AND APPROVAL OF RELATED PARTY TRANSACTIONS</b>
W2.1	The Trust must report all transactions with related parties to DfE in advance of the transaction taking place, using DfE's on-line form.
W2.2	The Trust must obtain DfE's approval for transactions with related parties that are novel, contentious and/or repercussive. The Trust should carefully consider the impact of this requirement and its relevance to transactions involving the chair of the board and the accounting officer.
W2.3	<p>The Trust must obtain DfE's prior approval, using DfE's on-line form, for contracts for the supply of goods or services to the Trust by a related party where any of the following limits arise:</p> <ul style="list-style-type: none"> <li>• a contract exceeding £40,000</li> <li>• a contract of any value that would take the total value of contracts with the related party beyond £40,000 in the same financial year ending 31 August</li> <li>• a contract of any value if there have been contracts exceeding £40,000 individually or cumulatively with the related party in the same financial year ending 31 August.</li> </ul>
W2.4	For the purposes of reporting to, and approval by, DfE, transactions with related parties do not include salaries and other payments made by the Trust to a person under a contract of employment through the Trust's payroll, e.g. the Chief Executive.
W2.5	This approval requirement does not apply in the following circumstances:

	<ul style="list-style-type: none"> <li>contracts and other agreements for the supply of goods or services to a Trust by the following educational establishments: state funded schools and colleges, including academies. This concession does not apply to transactions with a subsidiary of such a related party.</li> <li>the provision of services to an academy Trust with a religious designation, for essential functions fundamental to the academy Trust's religious character and ethos which can only be provided by their religious authority.</li> </ul>
<b>W3</b>	<b>AT COST REQUIREMENT</b>
W3.1	<p>The Trust must pay no more than 'cost' for goods or services provided to it by the following persons ('services' do not include contracts of employment):</p> <ul style="list-style-type: none"> <li>any member or trustee of the academy Trust</li> <li>any individual or organisation related to a member or trustee of the academy Trust. For these purposes the following persons are related to a member, or trustee which is defined as a close member of the family, or member of the same household, who may be expected to influence, or be influenced by, the person. This includes, but is not limited to, a child, parent, spouse or civil partner</li> <li>an individual or organisation carrying on business in partnership with the member, trustee or a relative of the member or trustee</li> <li>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</li> <li>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</li> <li>any individual or organisation given the right under the Trust's Articles of Association to appoint a member or trustee of the academy Trust; or anybody connected to such individual or organisation</li> </ul>

W3.2	<p>A body is connected to another individual or organisation if it is controlled by the individual or organisation, or controls the organisation, or is under common control with the individual or organisation. For these purposes, control means:</p> <ul style="list-style-type: none"> <li>• holding more than 20% of the share capital (or equivalent interest), or</li> <li>• having the equivalent right to control management decisions of the body, or</li> <li>• having the right to appoint or remove a majority of the board or governing body</li> </ul>
W3.3	<p>The 'at cost' requirement does not apply to the Trust's employees unless they are also one of the parties described in section W3.1 While these provisions do not apply to contracts of employment, the same principles of securing value for money and using public money properly, including managing conflicts of interest, still apply. Salaries should be appropriate to the individual's skills and experience and to rates in the wider market.</p>
W3.4	<p>Should any staff/personnel of an individual or organisation in section W3.1 be based in, or work from the premises of, the academy Trust, that individual/organisation and the Trust must agree an appropriate sum to be paid to the Trust for such use/occupation of the premises, save to the extent that they are carrying out work for the Trust.</p>
W3.5	<p>The 'at cost' requirement applies to contracts for goods and services from a related party exceeding £2,500, cumulatively, in any one financial year. For these purposes, where a contract takes the Trust's cumulative annual total with the related party beyond £2,500, the element above £2,500 must be at no more than cost.</p>
W3.6	<p>In relation to organisations supplying legal advice or audit services to the academy Trust, the 'at cost' requirement applies where the organisation's partner directly managing the service is a member or trustee of the Trust but not in other cases for those organisations. The published ethical standards for auditors also prevent partners or employees of the audit firm from acting as a trustee of their client Trust, but not of other Trusts.</p>
W3.7	<p>Academy trusts must ensure that any agreement with an individual or organisation referred to in section W3.1 to supply goods or services to the Trust is properly procured through an open and fair process and is:</p> <ul style="list-style-type: none"> <li>• supported by a statement of assurance from that individual or organisation to the Trust confirming their charges do not exceed the cost of the goods or services, and</li> <li>• on the basis of an open book agreement including a requirement for the supplier to demonstrate clearly, if requested, that their charges do not exceed the cost of supply</li> </ul>

W3.8	<p>For these purposes the cost will be the 'full cost' of all the resources used in supplying the goods or services, and must not include any profit. Full cost includes:</p> <ul style="list-style-type: none"><li>• all direct costs (the costs of any materials and labour used directly in producing the goods or services)</li><li>• indirect costs (a proportionate and reasonable share of fixed and variable overheads)</li></ul>
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## X SPECIAL PAYMENTS

X1	<p>Certain transactions by public bodies may fall outside their usual planned range of activity, and may exceed statutory and contractual obligations. HM Treasury refers to these as special payments, and are subject to greater control than other payments. They include:</p> <ul style="list-style-type: none"><li>• staff severance payments</li><li>• compensation payments</li><li>• ex gratia payments</li></ul>
X2	<p>The guidance in the Academies handbook shall be followed for any payments that may fall into the special payments category.</p>
X2.1	<p>Where the MAT considers making a staff severance payment above statutory or contractual entitlements, the following factors will be considered prior to making the commitment:</p> <ul style="list-style-type: none"><li>• The proposed payment is in the interest of the Trust</li><li>• The payment is justified, based on legal assessment of the chances the Trust will successfully defend the case at employment tribunal</li><li>• The level of settlement is less than the legal assessment of what the relevant body will award</li></ul> <p>Under no circumstances will the MAT make severance payments where the money could be interpreted as a reward for insubordination or failure.</p> <p>For severance payments equal to or greater than £50,000, the MAT will seek prior approval from the DfE. The DfE will refer the transaction to HM Treasury so the Trust will allow sufficient time for this to be considered.</p> <p>Value for money will be shown for all severance payments.</p> <p>Compensation payments will take account of the facts of the matter ensuring value for money is achieved. For compensation equal to or greater than £50,000, prior approval from the DfE will be sought.</p> <p>The MAT will consider whether cases reveal concerns pertaining to the effectiveness of internal control.</p> <p>Ex gratia payments will always be referred to the DfE for approval.</p>

**Y TENDERING ARRANGEMENTS – SEE PROCUREMENT POLICY**

**Z VAT**

<b>Z1</b>	The MAT, and the academies within it, are registered for VAT and are entitled to reclaim VAT on qualifying purposes through a monthly VAT return. Under legislation, VAT claims can be made on expenditure which supports the MAT's core business purposes.
Z2	<p>The VAT return is run from the accounting system. The VAT Checklist is then followed, along with the PSF manual for the bookkeeping process.</p> <p>VAT is reclaimed monthly. The Trust is partially exempt for VAT purposes.</p> <p>The VAT Control account will be reconciled on a monthly basis.</p>