

Financial Regulations Policy/Manual

It is the responsibility of all Cathedral Schools Trust employees and volunteers to familiarise themselves with the contents of all Trust policies and any amendments hereafter.

Cathedral Schools Trust

December 2023

Changes

Version	Date	Amended by	Recipients	Purpose
1	22 November 2018	CST Finance Committee	Members of CST, every Trustee, each Local Governor, all Cathedral Schools Trust employees and volunteers and others at the discretion of the Chairman of the Trustees of CST. CST Website updated.	Annual Review – changes to statutory bodies plus local changes to processes.
2	29 November 2019	CST Finance Committee		Annual Review – changes to statutory bodies plus local changes to processes.
3	30 November 2020	CST Finance Committee		Annual Review – changes to statutory bodies plus local changes to processes.
4	25 November 2021	CST Finance Committee		Annual Review – changes to statutory bodies plus local changes to processes.

5	22 November 2022	CST Finance Committee		Annual Review – changes to statutory bodies plus local changes to processes.
6	28 November 2023	CST Finance Committee		Annual Review – changes to statutory bodies plus local changes to processes.

Alterations

This Scheme may be altered, added to or repealed by a majority resolution of the Trustees of CST in a general meeting.

Approvals (Every year)Version	Date	Approved by
1	4 December 2017	CST Trustees
2	4 December 2018	CST Trustees
3	12 December 2019	CST Trustees
4	10 December 2020	CST Trustees
5	9 December 2021	CST Trustees
6	8 December 2022	CST Trustees
7	11 December 2023	CST Trustees

Associated documentation		
Document	Owner/ Author	Published/ Approved
Trust funding agreement	Board of Trustees	March 2008
Deed of Variation	Board of Trustees	March 2015
Deed of Variation	Board of Trustees	January 2016
Deed of Variation	Board of Trustees	July 2017
Supplemental funding agreement CPS	Board of Trustees	January 2016
Supplemental funding agreement VPS	Board of Trustees	July 2017

Supplemental funding agreement HPPS	Board of Trustees	July 2017
Supplemental funding agreement SKA	Board of Trustees	October 2018
Supplemental funding agreement SPPS	Board of Trustees	April 2019
Supplemental funding agreement Trinity	Board of Trustees	May 2019
Scheme of Governance	Board of Trustees	Annually reviewed
Decision Matrix	Board of Trustees	Annually reviewed
Academy Trust Handbook	Education and Skills Funding Agency	Annually
Academies Accounts Direction	Education and Skills Funding Agency	Annually
Where later versions have been approved or published the latest documents will be treated as current		

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Introduction

1. The purpose of this Financial Regulations Manual (Finance Manual) is to ensure that the Trust maintains and develops systems of financial control, which conform with the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of our funding agreement with the Secretary of State for Education, through the Education and Skills Funding Agency (ESFA).
2. The Trust must comply with the principles of financial control outlined in the current Academy Trust Handbook. This manual expands on that and provides detailed information on the Trust's accounting procedures and systems. This manual should be read by all staff involved with financial systems.
3. This manual serves as an adjunct to the Scheme of Delegation providing information on the day-to-day operations and practicalities forming from this financial regulation manual.

Financial Planning

4. The Trust prepares rolling 3 year budgets.

The budget cycle

5. The budget cycle is as follows:
 - Autumn Terms 1 and 2 (Sept – Dec)
 - o Implementation of current budget plan
 - o Monitoring expenditure (continuous-monthly)
 - o Reconciliation and closure of previous financial year
 - Spring Terms 3 and 4 (Jan – Mar)
 - o Monitoring and reviewing of year's budget
 - o Revised forecast where appropriate
 - o Draft budgets for new financial year and rolling 3 year forecast
 - Summer Terms 5 and 6 (Apr – Aug)
 - o Planning for forthcoming year
 - o Preparation and submission of financial budget plan
 - o Review of current year's budget

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

Budget

6. The **Finance Director** is responsible for preparing and obtaining approval for the annual Trust budget. The Chief Executive, Finance Committee and Board of Trustees must approve the Trust's annual budget.
7. Each constituent academy schools' Local Governing Body is responsible for reviewing

the budget for their school, and making a recommendation to the Trust for approval, as part of the overall Trust annual budget.

8. The annual budget will reflect the best estimate of the resources available to the Trust for the forthcoming year and will detail how those resources are to be utilised. There should be a clear link between the development plan objectives and the budgeted utilisation of resources.
9. The budgetary planning process will incorporate the following elements:
 - forecasts of the likely number of pupils to estimate the amount of General Annual Grant (GAG)
 - latest estimate of other ESFA funding e.g. pupil premium or other specific funds
 - review of other income sources available to the Trust
 - review of past performance against budgets
 - identification of potential efficiency savings
 - review of key areas of income and expenditure headings in light of the Trust's Strategic Plan
 - reviewing the impact of external factors e.g. pay increases, inflation
 - all carry forward reserves balances
 - any unspent grants or earmarked funds remaining from the previous financial year
 - any funds held centrally by the Trust
 - utilisation of Integrated Curriculum and Financial Planning (ICFP) tools including the review of Key Performance Indicators (KPI's)
10. Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where reductions and efficiencies can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and expenditure results in at least a breakeven position. In exceptional circumstances an in year deficit may be proposed, if carried forward reserves balances will support an in year deficit.

Other Government Funding

11. In addition to GAG funding from ESFA the trust may be awarded specific funding for other projects e.g. School Condition Allocation, Trust Capacity Funds (TCaF), Additional Special Educational Needs funding etc. This funding may be directly from the Department of Education or Local Authority. All government funding will be spent in accordance with the terms and conditions imposed, accurately recorded as government income (restricted) and audited externally annually, as appropriate.
12. The **Finance Director** is responsible for recording income and expenditure for each grant, providing a reconciliation within the monthly management accounts.

Other Grants and specific funding

13. In addition to the GAG funding from the ESFA and other government funding, the Trust may be awarded additional grants from time to time relating to specific projects e.g. Sport England Funding, Charitable Grants etc. All applications for additional external funding must be approved and supported by the Board of Trustees. All external funding and grants will be spent in accordance with the terms and conditions imposed, accurately recorded as income specific to a certain project and audited externally annually as appropriate.
14. The **Finance Director** is responsible for recording income and expenditure for each grant, providing a reconciliation within the monthly management accounts.

Funds held in trust

15. Where funds are held in trust the **Finance Director** is responsible for ensuring accurate recording of the income and expenditure, as well as ensuring the funds are recognised separately as set out in the memorandum and articles.

Virements

16. The **Finance Director** is given delegated power to vire from one budget to another.
17. Virements can be made from pay to non-pay budgets lines, but not from non-pay to pay budgets lines, unless the commitment is for the current budget year only.
18. All virements exceeding £10,000 or 2% of the budget, or exceeding £25,000 cumulative for the financial year shall require prior approval from the **Finance Committee**. In addition, any virements done in a given month exceeding £5,000 should be noted in the management accounts commentary.

Revised Forecast

19. Monitoring and analysis of the agreed budget should be carried out on a monthly basis by the **Accounting Officer** and **Finance Director** and reports forwarded to the **Finance Committee and the Chair of the Trust**. Where significant variations to the agreed budget are identified or where a number of substantial virements have been approved by the **Finance Committee** and or where significant staff changes have occurred in-year, then a Revised Forecast should be prepared and approved by the Board of Trustees. This Revised Forecast should then form the basis of analysis of all income and expenditure until the financial year end in addition to the original approved budget.

Budget Forecast Returns

20. The approved budget must be submitted to ESFA by the deadlines published each

year by the **Finance Director**. The **Finance Director** is responsible for establishing a timetable, which allows sufficient time for the approval process and ensures that the submission date is met.

Monitoring and review (including management accounts)

21. Monthly reports are prepared by **the Finance Director**. The reports include:
- actual income and expenditure against budget
 - full year forecast of income and expenditure against budget
 - capital income and expenditure
 - balance sheet
 - cash flow forecast
 - a financial commentary highlighting and explaining in particular significant variances
 - Review of key performance indicators
22. Any potential overspend (greater than £20,000) against the budget must in the first instance be discussed and approved with the Chief Executive. Any overspend greater than £35,000 should be approved by the Finance Committee.
23. The monthly reports are sent to the Chief Executive, **Finance Committee** and the **Chair of the Board of Trustees**. The content of the monthly reports will vary from time to time and will be agreed with the finance committees and LGB's.
24. The Finance Director should present the most recent management accounts at each Finance Committee.

Independent checking procedures

25. The Trust manages a programme of risk review and checking of financial controls. The Trust has appointed an internal auditor to check the Trust's internal controls. The work of the internal audit is reviewed by the finance committee and an annual plan agreed in advance. The work conducted is done with reference to the Trust's requirement to report to the ESFA annually about its internal scrutiny.

Review of regularity

26. The Chief Executive (in their role as Accounting Officer) reviews the following documents termly and documents this review to ensure the Trust is working within the boundaries of regularity and propriety:
- reviews management accounts
 - reviews compliance against the scheme of delegation
 - reviews transactions for evidence of connected party transactions
 - value for money practice
27. Part of this review can be achieved through the reliance of both internal and external audit work.

28. The Accounting Officer has delegated the following responsibilities to the **Finance Director** :

- adherence to tendering policies
- review of transactions confirming in line with delegated authorities as set out by the Academy Trust Handbook
- review of trustees/governors' minutes

29. If there is a significant departure from the anticipated budget surplus or deficit this will be escalated to the **Finance Committee** as part of the monthly management accounts procedure. Significant is defined as being over £35,000.

Annual accounts

30. The Trust must prepare annual audited financial statements for the accounting period to 31 August.

31. The accounts are overseen by the **Finance Director** working with the auditors to get them ready for Trustees to sign off.

32. The accounts are then submitted as follows:

- by 31 December – to ESFA
- by 31 January – published on our own website
- by 31 May – to Companies House

Value for money statement

33. As part of the annual accounts the trust must include examples of value for money.

34. The **Finance Director** is responsible for collating the examples which are then confirmed by the finance committee.

Audit arrangements

35. External auditors must be appointed in accordance with the Academy Trust Handbook.

36. The **Finance Director** is responsible for managing the audit process, by liaising with the auditors, arranging the timetable for accounts and audit completion and ensuring deadlines are met.

Work undertaken during accounting period

37. The **Finance Director** is responsible for the following tasks to be undertaken during the year to facilitate a smooth audit process:

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

Work undertaken for the year end

38. The **Finance Director** is responsible for the following tasks to be undertaken at the end of the year to facilitate a smooth audit process:

- prepayments and accruals
- control account reconciliations (bank, wages, debtors, creditors)
- close down of the purchase ledgers
- close down of the sales ledgers and aged debtors
- pension valuations
- teachers pension scheme audit (as per the pension scheme year)

Accounts Return

39. The Trust must prepare an annual accounts return for the accounting period to 31 August, which is submitted to the ESFA by 31st January.

40. The accounts return is overseen by the **Finance Director** working with the auditors to get it submitted to the ESFA.

Document retention

41. Documents are retained for the following amount of time:

- Finance records – current year plus preceding 6 years
- Insurance records - employer liability policy records minimum of 6 maximum of 40 years - property claims 3 years - personal injury 6 years
- Supply cover insurance – current year plus preceding 6 years
- Payroll and travel records – current year plus preceding 6 years
- Personnel records – 5 years after an employee has left
- All student files until the student reaches the age of 21

Accounting system

42. All the financial transactions of the Trust must be recorded into **PS Financials**, the computerised financial information accounting system.

System Access

43. Access to the system is password restricted **to the Finance Team**, and those who have been authorised by the Accounting Officer e.g. external accounting providers and auditors. In addition, the school finance teams (typically the Business Manager and Finance Assistant) will have limited access to the system for their school).

44. The **Trust ICT Director** is responsible for implementing a system which ensures that passwords are changed regularly.

Back-up Procedures

45. The **Trust ICT Director** is responsible for ensuring that there are effective back up procedures for the system. Data is backed up on a suitable medium or server and the copies stored in a secure place (in a fireproof container) and back-up copies are taken on at least a daily basis, for the legacy system Resource. Data is backed up to the cloud for the new PS Financials system, security of which is the responsibility of the **Trust ICT Director**.

46. The disaster recovery plan explains what to do in the event of loss of accounting facilities or financial data. Copies are held in the fireproof container, or offsite.

Transaction processing

47. All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual.

48. All journal entries are supported by appropriate documentation, prior to being input to the accounting system.

49. Bank transactions are input by **Finance Officers** and reviewed by the **Finance Manager**.

Transaction reports

50. The **Finance Manager** reviews the following system reports monthly to ensure that only regular transactions are posted to the accounting system:

- standing data amendment reports for the payroll, purchase ledger and sales ledger;
- management accounts summarising expenditure and income against budget at budget holder level

Reconciliations

51. The **Finance Manager** is responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:
- sales ledger control account
 - purchase ledger control account
 - payroll control account
 - VAT control account
 - all suspense accounts
 - bank balance per the nominal ledger to the bank statement
52. Any unusual or long outstanding reconciling items are brought to the attention of the Finance **Director** and dealt with according to the bad debt limits in this manual.

Banking

Cash Management

53. The following procedures must be followed when opening a bank account and operating it:
- the Trust is responsible for selecting the banking institution and negotiating the terms and conditions
 - the **Board of Trustees** must authorise the opening of all bank accounts
 - The Trust will ensure that in the event of changes to key personnel or **Trustees**, signatories will be changed immediately and the bank notified. Any on-line access to banking will also be removed
 - terms of arrangements, including cheque signatories or BACS authorisations and the operation of the accounts must be formally recorded and agreement minuted
 - the Trust must inform the bank, in writing, that their accounts must not become overdrawn
 - the Trust must ensure there are sufficient funds to cover all payments
54. There will be an annual review by the **Finance Committee** of the Bank Mandate with a list of approved signatories which includes the online authorisation limits.

Deposits

55. A deposit must be entered on a copy paying-in slip or listed on a spreadsheet with the following details:
- the amount of the deposit
 - a reference (for example the number of the receipt or the name of the debtor)
56. The **Finance Officers** are responsible for updating the accounting system (within 2 working days) for deposits placed.

Payments and withdrawals

57. All cheques, BACS payments and other instruments authorising withdrawal from Trust bank accounts over £1,000 must bear the signatures of two of the following authorised signatories:
- Chief Executive
 - Finance Director
 - Finance Manager
 - Finance Officers (Can only sign with one of the other signatures)
 - Trust Operations Manager
58. All cheques, BACS payments and other instruments authorising withdrawal from Trust bank accounts up to £1,000 must bear the one signature from the following authorised signatories:
- Chief Executive
 - Finance Director
 - Finance Manager
 - Finance Officers
 - Trust Operations Manager
59. This provision applies to all accounts, public or private, operated by or on behalf of any Local Governing Body of the Trust *including funds held in trust*.
60. The **Finance Officers** are responsible for updating the accounting system for payments made.

Administration

61. The **Finance Director** ensures bank statements are received regularly and that reconciliations are performed at least on a monthly basis. Reconciliation procedures must ensure that:
- all bank accounts are reconciled to the Trust's cash book
 - reconciliations are prepared by the Finance Department
 - reconciliations are subject to an independent monthly review carried out by **Finance Manager** or in his/her absence the **Finance Director**
 - adjustments arising are dealt with promptly

Petty Cash

62. The Trust maintains a maximum cash balance of £1,500 for the purchase of minor items, which is held in the office safe and is the responsibility of the **Finance Officers**.
63. The petty cash float must not be used for:

- cashing personal cheques
- paying staff loans

Payments

64. In the interests of security, petty cash payments are limited to £50 where practical. Payments are made on production of a valid receipt or other proof of payment and are subject to the same authorisation procedures as purchases from the main bank account.

Administration

65. The petty cash float is maintained on the imprest system and the float is only reimbursed from the main bank account.

66. The **Finance Officers** reconcile the petty cash float monthly. The reconciliation is then reviewed by the Finance **Manager** and initialled as evidence of review.

67. The **Finance Director** carries out a spot check of the petty cash float once a term.

E-procurement and Credit Card Payments

68. The Trust credit cards are used only when it is not practical to use the BACS system, or where buying online by credit card can result in greater value for money. It is used mostly for internet purchases and to buy refreshments for meetings.

69. The cards are kept in secure storage in each academy and are only used by the named card holders:

- **Chief Executive**
- **Finance Director**
- **Finance Manager**
- **Headteachers**
- **School Business Managers**

70. Any department wishing to make a purchase on a credit card must complete an order form and pass this to the **Business Managers, Finance Manager** or other authorised cardholder to make the purchase. The Budget Holder must sign all order forms detailing the purchase.

71. When the credit card statement arrives there will be a VAT invoice for all purchases, or other online order confirmation and it is sometimes necessary to chase suppliers for this. A cash book journal is entered for each individual entry on the statement.

72. Each cardholder is responsible for signing his or her credit card statement and returning with supporting documents, authorising it for payment, and also confirming

that purchases are made in line with purchasing procedures.

73. The credit card statements, along with all the relevant supporting documentation are then processed on the finance system by the schools and back up documents scanned on to the system. The **Finance Director** will then check a sample of the transactions on a termly basis.

Staff Expenses

74. Where possible individuals should avoid incurring expenditure on behalf of the Trust. However, in some circumstances it occurs. In order for this expenditure to be reimbursed to staff they must ensure the following:

- Employees must complete and sign the Trust's template expense claim form. This form must be submitted with supporting documentation/receipts including a VAT receipt where applicable. This expense claim form must be authorised by their line manager or Head of the school.
- The Trust reserves the right to refuse payment of any such expense claims if they are considered inappropriate, excessive or the employee did not have prior approval for such expenditure. In addition, the Trust reserves the right to refuse payment if an appropriate receipt is not supplied with the expense claim.
- Claims must be in line with the HMRC approved limits to avoid any benefit in kind (e.g. pence per mile claims)

BACS Payments

75. Payment runs are prepared from the Trust's Purchase Ledger, taking into account:

- the ordering and invoicing process has been carried out as per this manual
- supplier payment terms
- adequate funds in the Trust's bank account

76. The BACS payment is prepared by the **Finance Officers** and the BACS payment reports then passed onto two of the bank mandate signatories who check to ensure valid suppliers, invoices and amounts. Random checks of invoices will be carried out. Bank mandate signatories will then approve the BACS payment run for processing.

77. Normally, BACS payments are processed within a month of receipt of invoice, although every effort is made to ensure the school benefits from early payment discounts.

78. The **Finance Manager** ensures that evidence is kept of the employment status test criteria applied, when dealing with payments to individuals. Where an individual has been assessed as self-employed, the **Finance Manager** should request that the individual states his self-employment reference number on any invoice issued to the

school. The **Finance Manager** also confirms a supplier's status in reference to IR35.

Investments

79. Investments are made in accordance with written procedures approved by the **Board of Trustees** (Appendix A).
80. All investments are recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

Reserves

81. Reserves are managed in accordance with the Reserves Policy (Appendix B).
82. Any overall surpluses or deficits (reserves) at the end of the year are carried over to the following year.
83. The **Chief Executive** as Accounting Officer must inform ESFA immediately if a deficit is anticipated.
84. If the Trust is anticipating a deficit at the end of any financial year, the **Board of Trustees** and Chief Executive and **Finance Director** have a responsibility to ensure action is taken at the earliest opportunity to address this issue. The **Board of Trustees** must ensure that a recovery plan is submitted and approved by the ESFA.
85. The Trust undertakes to ensure that a contingency reserve equal to one month's gross payroll cost.

Capital Reserves

86. Any overall surpluses at the end of the year are carried over to the following year.
87. It is the responsibility of the Finance **Director** to keep accurate records of the capital funds, especially where grants have been received for capital projects.

Endowments

88. The **Finance Manager** is responsible for accounting for the transactions within any endowment funds.
89. Any transactions are in line with the memorandum and articles.

Payroll

Staff Appointments

90. The **Board of Trustees** approves the Trust staffing structure as part of the annual budgeting process. Changes to increase or significantly reorganise this establishment

requires the express approval in the first instance of the **Finance Committee** who must ensure that adequate budgetary provision exists for any establishment changes, following that approval must be sought by the **Board of Trustees**.

91. The Chief Executive has authority to appoint staff within the authorised staffing structure except for Chief Executive, **Finance Director and Headteachers/Principals** whose appointments require the approval of the **Board of Trustees**. Unless such authority is delegated to a Nomination and Remunerations Committee, or to a **Headteacher** in relation to his or her own school. The **Recruitment and HR Officer** or relevant school **Business Manager** maintains personnel files for all members of staff which include contracts of employment. All personnel changes must be notified, in writing, to the **Recruitment and HR Officer**.
92. The school **Business Managers** are responsible for obtaining the relevant DBS checks and ensuring these are retained on file

Payroll Administration

93. Payroll is administered through the Trust's internal department via iTrent.
94. All staff are paid monthly by the Trust by BACS. A master file is created for each employee which records:
 - salary
 - bank account details
 - taxation status
 - personal details
 - any deductions or allowances payable
 - other legal and relevant details
95. New employee payroll records can only be created by the HR department and processed by the Payroll Officer. Any employee payroll record (standing data) amendments made are processed by the Payroll Officer and approved by the **Finance Manager**.
96. **Recruitment and HR Officer** or school **Business Manager** must complete a monthly staff return which provides details for all staff in the section of sickness and other absences during the month and any new appointments or terminations. Staff returns should be sent to the **Finance Department** who then reflect in the payroll for processing.
97. Timesheets for additional hours, temporary work or overtime undertaken are completed by the employee. In turn this is authorised by the employees line manager, and communicated to the **Finance Team** for inclusion in the payroll.
98. Each month the Finance Department will notify relevant people of the deadline for

submitted payroll information.

99. The schools are responsible for confirming absence and sickness which is recorded in iTrent. The Payroll Officer will ensure that any absence or sickness which affects pay is checked for its accuracy.

Payments

100. Before payments are dispatched a report of net pay by the employee is produced and reconciled to the previous month's net pay with explanations noted and then reviewed and signed by the **Finance Manager** or **Finance Director** in his or her absence. Authority to release the BACS payroll payment will be by two bank signatories.
101. All salary payments are made by BACS.
102. The **Finance Manager** prepares a reconciliation between the current month's and the previous month's gross salary payments showing adjustments made for new appointments, resignations, pay increases etc. This reconciliation is reviewed and signed by the Finance **Director and Chief Executive** .
103. The reconciliation should be reviewed by a Trustee, on their request, on an annual basis and signed to say that it has been reviewed.
104. The payroll system automatically calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions. The amounts payable are summarised on the gross to net pay print and BACs payments for these amounts are prepared by the Payroll Officer and authorised for payment by two bank signatories.
105. After the payroll has been processed the nominal ledger postings will be made both to the payroll control account and to individual cost centres. The **Finance Manager** should review the payroll control account each month to ensure the correct amount has been posted from the payroll system, individual cost centres have been correctly updated and to identify any amounts posted to the suspense account.
106. Each month the gross pay per the payroll system is agreed in total to the data held on SIMS.
107. On a regular basis the Finance Director should run the "Transaction Audit Extract" from iTrent to review the changes in employee bank details to ensure they have been authorised changes to employee bank details. They should also ensure that only one bank account is in place for each employee.

Salary advances

108. The trust does not make salary advances, unless a new staff member joins mid-month

and misses the payroll cut-off and requires an advance in their first month. The only other exception to this is where there is an error in the payroll for a staff member which has led to them being underpaid. Any such advances will be authorised in accordance with the bank mandate.

Overtime

- 109. Overtime is recorded by the individual, authorised by their line manager and submitted by the deadline as advised by the Finance Department.
- 110. Claim forms must not be submitted prior to work having been undertaken.
- 111. No payments for work undertaken will be made other than via the payroll system.

Severance payments

- 112. The Trust is able to self-approve the non-contractual element of severance payments up to £50,000 before income tax and other deductions. A business case must be presented before agreeing a payment, using the form provided by ESFA on Gov.uk. Any payments over £30,000 need to be approved by Trustees.
- 113. Where the non-contractual element is on or over £50,000 gross (before income tax and other deductions) prior approval from ESFA must be sought.
- 114. The Chief Executive must sign off and review each business case, which should include a value for money assessment.

Compensation payments

- 115. The Trust is able to self-approve compensation payments under £50,000 but must base its decision on a robust business including a value for money assessment.
- 116. Any compensation payments over £50,000 must be submitted to ESFA for prior approval.

Ex-gratia payments

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

Income

ESFA grants

- 118. The main sources of income for the Trust are the grants from the ESFA. The receipt of these sums is monitored directly by the **Finance Director** who is responsible for ensuring that all grants due to the Trust are collected.

Other grants

- 119. The receipt of these sums is monitored directly by the **Finance Director** who is responsible for ensuring that all grants due to the Trust are collected.

Non-curriculum Trips

- 120. A lead member of staff must be appointed for each such trip to take responsibility for

the collection of sums due. The lead teacher must prepare a record for each student intending to go on the trip showing the amount due. A copy of the record must be given to the Finance Department.

121. Parents should make payments to the Finance Department, using the online payments systems in place at each school. If a cash payment is made a receipt must be issued and the value of the receipt and the number of the receipt recorded against the student making the payment.
122. The Finance Department should maintain an up to date record for each student showing the amount paid and the amount outstanding. This record should be sent to the lead teacher on a fortnightly basis and the lead teacher is responsible for chasing the outstanding amounts.
123. Trips should be run at cost price, although allowance can be made for administrative fees and additional staff cover. Any surplus greater than £10 per pupil is redistributed to parents.

Curriculum Trips

124. A lead member of staff must be appointed for each such trip to take responsibility for the collection of sums due. The lead teacher must prepare a record for each student intending to go on the trip showing the amount due. A copy of the record must be given to the Finance Department.
125. Parents should make payments to the Finance Department, using the online payments systems in place at each school.
126. The Finance Department should record the income on the finance system as departmental income. The lead teacher has access to these records and should monitor and chase the outstanding amounts.
127. Trips should be run at cost price, although allowance can be made for administrative fees and additional staff cover. Any surplus greater than £10 per pupil is redistributed to parents.
128. If the school decides to subsidise the school trip the amount of subsidy must be approved by the **Headteacher** in advance of the booking being made.

Catering

129. Responsibility for cash collection and recovery of balances owing lies with the contractor in accordance with the contract terms.
130. The school is responsible for settling invoices from the catering contractor for free school meals, hospitality and lettings in accordance with the standard supplier terms.

131. The contractor is required to supply monthly usage statements to the school business manager in accordance with the contract terms.

Lettings

132. The **Estates Manager, Finance Officers** or school **Business Managers** are responsible for maintaining records of bookings of sports facilities including the Letting Agreements and for identifying the sums due from each organisation. Payments must be made in advance for the use of facilities, or invoiced promptly.
133. Details of organisations using the sports facilities will be held by the Finance Department who will establish a sales ledger account and produce a sales invoice from the accounting system.
134. Copies of the organisations up to date relevant Public Liability, indemnity, insurance and qualifications (where relevant e.g. H&S, First Aid, Instructor etc.) are kept with the Letting Agreements and are reviewed at least annually.

Sundry income

135. Income from other sources (for example educational consultancy) should be reviewed in light of the risk to the Trust and the income that it can generate. For routine elements of income such as Lettings where the risk is relatively low there may just be credit checks or references that are required. For any income that is not routine, such as educational consultancy, then the following steps should be considered, specifically where the value to the Trust is over £35,000 or there is perceived to be a significant risk to the Trust raised by a Trustee or the Chief Executive. In such cases the following procedures should be undertaken:
- a business case and risk assessment should be prepared which includes, but is not limited to:
 - credit worthiness of the contracting party;
 - commercial rationale for undertaking the project;
 - capability and capacity of the Trust to fulfil their responsibilities of the contract;
 - where subcontracting is involved then a full assessment of the subcontractor should be undertaken in line with our HR policies over use of contractors including any conflicts of interest;
 - overall risk to the Trust in terms of reputational, operational and financial risk;
 - An agreement is put in place between the Trust and the subcontractor.

Gift aid

136. To ensure the Trust, in its position as an exempt charity, receives all the monies it is entitled to the **Finance Manager:**

- reconciles income against records to confirm expected amounts have been received by the donor
- ensures the tax reclaimable from HMRC has been obtained and any relevant business use deductions have been made.

Bad debts

137. The Trust chases all monies due, and those that have not been paid within 30 days of an invoice being issued, by telephone or letter, or debt collection agency if appropriate.
138. If the debt remains unrecoverable after 6 months, or it becomes clear that the debt will not be repaid, the **Finance Manager** submits a report to the **Finance Director** for approval of write off.
139. The following write off limits apply:
- Up to £500 to be approved by the Accounting Officer
 - £500 to £1000 to be approved by the Finance Committee
 - Over £1000 and under 1% of total annual income or £45,000 (whichever is smaller per transaction) to be approved by the Board of Trustees
 - Over 1% of total annual income or £45,000 (whichever is smaller per transaction) to be referred to the ESFA for approval

Purchasing

140. The Trust must achieve value for money on all purchases. A large proportion of our purchases are paid for with public funds and we need to maintain the integrity of these funds by following the general principles of:
- Probity, it must be demonstrable that there is no corruption or private gain involved in the contractual relationships of the academy
 - Accountability, the Trust is publicly accountable for its expenditure and the conduct of its affairs
 - Fairness, that all those dealt with by the Trust are dealt with on a fair and equitable basis

Routine Purchasing

141. Budget holders will be informed of the budget available to them at least one month before the start of the academic year. It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent. Budget holders are expected to monitor data relating to their own budget areas via reports from the online financial information system.
142. Routine purchases up to £1,000 can be ordered by budget holders. In the first instance a supplier should be chosen from the list of approved suppliers maintained by the Finance Department. A quote or price must always be obtained before any

order is placed. If the budget holder considers that better value for money can be obtained by ordering from a supplier not on the approved supplier list the reasons for this decision must be discussed and agreed with the **Finance Manager**. Copies of all quotes must be attached to the order form.

Use of Suppliers

143. The Trust maintains a set of approved suppliers. Access to this data is restricted to the central finance team. Employees must use these suppliers when raising orders where possible. If a new supplier is required, then the employee must complete the “new supplier” form which they would ask the new supplier to complete. This should be sent through to the central finance team for review to ensure that it is appropriate to be set up on the system and carry out any checks or confirmation of details where necessary.
144. If a supplier requests the finance team to change any of their banking details for payment, then this should be followed up with a phone call to the supplier to check that this change is correct. This is to ensure that the change is not fraudulent.
145. Changes to the Purchase Ledger should be reviewed on a quarterly basis by the Finance Manager and the Finance Director. This can be done by running the “Account Audit Report” which records all changes to standing data by User.

E-procurement

146. Any department wishing to make a purchase on credit card must complete an official order form in the usual manner and pass this to the **Finance Manager, Business Managers**, or other authorised credit card holder to make the purchase. All order forms detailing the purchase must be signed by the Budget Holder.
147. Occasionally the credit card is used to purchase small items where it is not possible to order this elsewhere or where better value for money is achievable.

Orders

148. All orders must be placed using the financial information system which has inbuilt authorisation processes and checks against available budget. Once authorised, the order will be automatically approved by the financial information system.
149. Approved orders will be recorded in the purchase order module of the financial information system which allocates a reference number and commits expenditure. Orders will be dispatched to the supplier from the Finance Department
150. The budget holder must make appropriate arrangements for the delivery of goods to the Trust. On receipt the budget holder must undertake a detailed check of the goods received against the goods received note (GRN) and make a record of any

discrepancies between the goods delivered and the GRN. Discrepancies should be discussed with the supplier of the goods without delay.

151. If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Finance Department should be notified. The Finance Department will keep a central record of all goods returned to suppliers.
152. All invoices should be sent to the Finance Department. Invoice receipt will be recorded by the Finance Department (and the invoice scanned) into the Financial Information System purchase ledger module)
153. The budget holder must make a detailed check against the order and the GRN and these documents must be attached to the invoice before it is sent back to the Finance Department. Budget holders must undertake these checks without undue delay and in any case within 7 days of invoice receipt.
154. If a budget holder is pursuing a query with a supplier the Finance Department must be informed of the query and periodically kept up to date with progress.
155. Twice a month or weekly the Finance Department will produce a list of outstanding invoices from the purchase ledger and this list together with supporting documentation will be reviewed by the **Finance Manager** prior to payment.
156. The Finance Department will then input details of payments to be made to the purchase ledger and generate BACS payment required. The BACS payment runs and associated paperwork must be authorised by two of the nominated cheque signatories unless less than £1,000.
157. BACS payments are input by the Finance Officers and authorised on-line by two signatories in accordance with the banking policy and procedures (see E-procurement and BACS Payments above).

Orders over £5,000 but less than £10,000

158. At least three quotations should be obtained for all orders between over £5,000 but less than £10,000 to identify the best source of the goods/services. Written details of quotations obtained should be prepared and retained by budget holders for audit purposes. Telephone quotes are acceptable if these are evidenced and emailed confirmation of quotes has been received before a purchase decision is made and made in accordance with value for money principles. Orders over £1,000 but under £10,000 must be authorised by the Headteacher in each school or the Finance Director.

Orders over £10,000 but less than £35,000

159. All goods/services ordered with a value over or for a series of contracts which in total exceed £10,000 but less than £35,000 must have three formal written quotations.

The **Finance Manager** or school **Business Managers** must be made aware of all purchases at this level so he or she can determine the level of their involvement required. Orders over £10,000 but under £20,000 must be authorised by the **Finance Director**. Orders over £25,000 but under £35,000 must be authorised by the Chief Executive.

Orders over £35,000 but less than £100,000

160. All goods/services ordered with a value over, or for a series of contracts which in total exceed £35,000 but less than £100,000 must have three formal written quotations or be purchased via a framework agreement. **The Finance Director** must be made aware of all purchases at this level so he or she can determine the level of their involvement required.

161. The **Finance Committee** must approve contracts of this level.

Orders over £100,000 but less than the OJEU threshold

162. All goods/services ordered with a value over, or for a series of contracts, which in total exceed £100,000 follow a formal tender process. The Finance Director must be made aware of all purchases at this level so he or she can determine the level of their and Chief Executive or Trustee involvement required.

163. The **Finance Director** will agree to a formal tendering process before tendering commences.

164. The **Board of Trustees** must approve contracts of this level.

Official Journal of the European Union

165. Purchases over **the OJEU threshold** are to be dealt with in accordance with OJEU regulations.

166. The **Finance Director** will agree to a formal tendering process before tendering commences.

167. The **Board of Trustees** must approve contracts of this level

Trading with connected and related parties

168. All members, trustees, local governors of academies within a multi-academy trust, and senior employees make the Finance Director aware of any potential issues with trading with connected or related parties. The Finance Director can assess the potential for conflict in accordance with the Academy Trust Handbook.

169. The Academy Trust Handbook describes how the Trust can address any conflicts, and steps which must be considered in any procurement process.

170. The **Finance Director** will regularly cross check the Trusts' supplier list against Members, Trustees and Governors declared interests to ensure no conflicts have been

overlooked.

171. If any conflict cannot be resolved by the **Finance Director**, then he or she must refer the issue to the **Chief Executive** and **Chair of the Board of Trustees**.

Goods and services for private use

172. No goods are ordered or services provided to include any elements of private use by Members, Trustees, Governors and staff.

Forms of Tenders

173. There are three forms of tender procedure: open, restricted and negotiated and the circumstances in which each procedure should be used are described below.

- **Open Tender:** This is where all potential suppliers are invited to tender. The budget holder must discuss and agree with the **Finance Director** how best to advertise for suppliers e.g. general press, trade journals or to identify all potential suppliers and contact directly if practical. This is the preferred method of tendering, as it is most conducive to competition and the propriety of public funds.
- **Restricted Tender:** This is where suppliers are specifically invited to tender. Restricted tenders are appropriate where:
 - there is a need to maintain a balance between the contract value and administrative costs,
 - a large number of suppliers would come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the academy's requirements,
 - the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.
- **Negotiated Tender:** The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances:
 - the above methods have resulted in either no or unacceptable tenders,
 - only one or very few suppliers are available,
 - extreme urgency exists,
 - additional deliveries by the existing supplier are justified.

Preparation for Tender

174. Full consideration should be given to:

- objective of project
- overall requirements
- technical skills required
- after sales service requirements
- form of contract.

175. It may be useful after all requirements have been established to rank requirements (e.g. mandatory, desirable and additional) and award marks to suppliers on fulfilment of these requirements to help reach an overall decision.

176. A tender brief must always be prepared and is reviewed by the **Finance Director**.

Invitation to Tender

177. If a restricted tender is to be used then an invitation to tender must be issued. If an open tender is used an invitation to tender may be issued in response to an initial enquiry.

178. An invitation to tender should include the following:

- introduction/background to the project
- scope and objectives of the project
- technical requirements
- implementation of the project
- terms and conditions of tender
- form of response
- dates for decision and work to be delivered

Tender Acceptance Procedures

179. The invitation to tender should state the date and time by which the completed tender document is received by the Trust. Tenders are submitted in plain envelopes clearly marked to indicate they contain tender documents. The envelopes should be time and date stamped on receipt and stored in a secure place prior to tender opening. Tenders received after the submission deadline are not accepted.

Tender Opening Procedures

180. All tenders submitted should be opened at the same time and the tender details should be recorded. Two persons should be present for the opening of tenders as follows:

- Either the **Finance Director** or the Chief Executive or a member of **the Finance Committee**.

181. A separate record details the names of the firms submitting tenders and the amount tendered. The record is signed by both people present at the tender opening.

Tendering Procedures

182. The evaluation process should involve at least two people. Those involved should disclose all interests, business and otherwise, that might impact upon their objectivity. If there is a potential conflict of interest then that person must withdraw from the tendering process.

183. Those involved in making a decision must take care not to accept gifts or hospitality

from potential suppliers that could compromise or be seen to compromise their independence.

184. Full records should be kept of all criteria used for evaluation and:

- For contract tenders over £50,000 but less than £100,000 a report should be prepared for the Finance Committee highlighting the relevant issues and recommending a decision.
- For contracts over £100,000 a report should be prepared for the Board of Trustees highlighting the relevant issues and recommending a decision.

185. The accepted tender should be the one that is economically most advantageous to the academy. All parties are then informed of the decision.

Insurance

186. The **Finance Committee** reviews insurance arrangements annually. They ensure that the sums insured are commensurate with the risks and include cover for Trust property when off the premises.

187. The Trust has opted into the Department for Education's Risk Protection Arrangements.

188. Budget holders must ensure all valuables are kept under lock and key when not being used in a supervised manner.

Trustees and Governor Expenses

189. All Trustees and Governors of this Trust are entitled to claim the actual costs, which they incur as follows:

- childcare or baby-sitting allowances (excluding payments to a current/former spouse or partner)
- cost of care arrangements for an elderly or dependent relative (excluding payments to a current/former spouse or partner)
- the extra costs they incur in performing their duties either because they have special needs or because English is not their first language
- the cost of travel relating only to travel to meetings/training courses at a rate of 45 pence per mile which does not exceed the specified rates for school personnel
- travel and subsistence costs, payable at the current rates specified by the Secretary of State for the Environment, Transport and the Regions, associated with attending national meetings or training events, unless these costs can be claimed from any other source
- telephone charges, photocopying, stationery, postage etc.
- any other justifiable allowances

190. The Board of Trustees acknowledges that:

- Trustees and Governors not be paid attendance allowance
- Trustees and Governors are not reimbursed for loss of earnings

191. Trustees and Governors wishing to make claims under these arrangements, must complete a claims form from the **Finance Manager** together with the relevant receipts. The form must be submitted to the Finance Department within two weeks of the date when the costs were incurred, when they will be submitted for approval by the Chair of Governors for Governors or Chair of Trustees for Trustees.

192. Claims will be subject to independent audit and may be investigated by the Chair of Trustees (or Chair of Finance in respect of the Chair of Trustees) if they appear excessive or inconsistent.

Gifts

193. Ordinarily such gifts should be rejected, unless they are of negligible value (e.g. diaries, calendars). However, any gifts or hospitality in excess of £50 are reported to the Chief Executive in order to protect the individual receiving the gift. This is particularly important where the person receiving the gift is a budget holder, has the ability to influence purchasing decisions or regularly receives reimbursement from the school for items other than travel expenses.

194. Gifts that have been reported are entered onto the gifts and hospitality register.

Energy Management

195. The **Estates Manager** or school **Business Managers** are responsible for recording, monitoring and analysing water, gas and electricity consumption on a monthly basis. Meters should be checked before authorising any invoices from the utilities providers. Any discrepancies or unusual reading should be raised with the **Finance Manager** immediately.

196. The **Estates Manager** or school **Business Managers** ensures that the school's heating system is operated and run as efficiently as possible.

197. The **Finance Director** ensures that the school is purchasing energy at the most competitive prices available.

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

Fraud

199. The trust does not tolerate fraud.

200. Where instances of fraud are found the Chief Executive will notify the Board of

Trustees.

201. Where instances of fraud are found the Chief Executive will notify the ESFA if fraud, theft or irregularity exceed £5,000 individually or £5,000 cumulatively in any one year.

Whistleblowing

202. The Trust has a Whistleblowing Policy.

Leasing

203. The Trust will assess all leases and determine whether a lease is an operating or finance lease before any agreement is entered into.

204. The Trust does not require ESFA's approval for operating leases except for some transactions relating to land or buildings.

205. The Trust must seek ESFA prior approval for any finance leases.

206. The Trust must always seek value for money.

VAT

VAT returns

207. The **Finance Manager** is responsible for submitting the VAT returns per month and ensures compliance with HM Revenue and Customs for claiming the correct levels of VAT.

Fixed assets

Asset register

208. All items purchased with a value over the academy's capitalisation limit of £1,000 must be entered on the fixed asset register.

209. The asset register helps:

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

Security of assets

210. All the items in the register are permanently and visibly marked as the Trust's property.

211. Equipment is, where possible, stored securely when not in use.

212. The Finance Department is responsible for carrying out physical fixed asset verification checks, at least every three years. Where discrepancies between the

physical count and the amount recorded in the register are found these are investigated promptly and, where significant, reported to the **Finance Committee**.

Disposals

213. Disposals, where applicable, are in line with the Academy Trust Handbook.

214. Items which are to be disposed of by sale or destruction up to £25,000 must be authorised for disposal by the **Finance Director** and, where significant, should be sold following competitive tender.

215. Items which are to be disposed of by sale or destruction over £25,000 must be authorised in line with the Scheme of Financial Delegation.

Loan of Assets

216. Items of Trust property must not be removed from Trust premises without the authority of the Chief Executive. A record of the loan must be recorded in a loan book and booked back in Trust when it is returned.

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

Investment Policy (Appendix A)

Purpose and scope

To set out the processes by which the Trust can invest funds surplus to day-to-day operational requirements and to ensure that investment risk is properly and prudently managed.

In doing so, Trustees must:

- Act within their Charity's power to invest
- Set investment objectives
- Set the parameters that deposit counterparties need to meet
- Consider the level of liquid cash required to be held either overnight or within current accounts
- Approve the type of products that the Trust can invest in and seek external guidance if required
- Define processes to manage and make investment decisions
- Monitor and review investments on a regular basis

1) Responsibility

The Trustees delegate the day-to-day responsibility of managing and implementing the investment policy to the Risk & Audit Committee to ensure investments are managed in accordance with this policy and monitor regularly how the Trust's investments are performing.

2) Objectives

To identify a level of funds that can be placed on deposit to generate additional interest income for the Trust in order to support its on-going charitable objectives.

Any investment decisions must be supported by a cashflow forecast that reduces the risk of the Trust not having the liquidity required to carry out its day-to-day activities.

3) Counterparty risk

Following the Banking Crisis in 2008, The Bank of England have (through the FSA and latterly, the FCA) implemented changes to stress testing and capital requirements of UK FCA registered banks to ensure the stability of the UK Banking system.

As such, the Trust can only make deposits with Banks or Building Societies with a UK banking licence and regulated by the FCA.

4) Counterparty limits

The Trust will not deposit any capital amount greater than £85,000 (plus interest accrued) with any single institution unless they have a credit rating or implied credit rating of:

Baa3 / P-3 or better (Moody's) or

BBB- / A-3 or better (S&P) or

BBB- / F3 or better (Fitch) or

An implied rating of BBB- or better

For institutions with a credit rating or implied credit rating of:

Baa3 / P-3 or better (Moody's) or

BBB- / A-3 or better (S&P) or

BBB- / F3 or better (Fitch) or

An implied rating of BBB- or better (on supporting document explained as "Investment Grade – Good")

The Trust will only deposit a maximum of £2,000,000 (plus interest accrued) with any single institution but this restriction does not apply to the bank account used for "everyday" banking.

5) Assessing liquidity needs

The Trust should ensure that a sufficient balance must be held across accounts with instant access so that the Trust's financial commitments can be met without the risk of the current account going overdrawn.

It should also allow enough flexibility to deal with reasonable, one off events should they occur.

The Trust's cash flow forecasts will dictate how much is available for investment and for how long.

The cash flow forecasts should be reviewed monthly as part of the management accounts cycle and on maturity of fixed term deposits.

6) Investment Products

The Trust can invest surplus funds in a mixture of interest-bearing accounts and money market facilities (where the capital is not placed at risk) including:

Overnight (instant access)

Notice accounts (typically from 30-days to 100+ days)

Fixed term deposits (typically from 1-month to 12-months)

Investments should not exceed 12-months in term.

7) Investment Decisions

The Finance Director is responsible for producing reliable cash flow forecasts as a basis for decision making.

The Finance Director is responsible for making investment decisions that comply with this Policy.

The opening or closing of bank accounts should be authorised in line with the current Financial Regulations Manual.

8) Monitoring & Reporting

The Finance Director will report investments held and the performance of investments against objectives to the Risk & Audit Committee for review each time it meets or when requested to do so. The reporting should include:

- Funds invested
- Maturity dates
- Interest rates
- Current market rates
- Blended returns achieved against expected performance and policy benchmarks
- Latest cash flows showing 12-month liquidity requirements
- Recommendations for the next 3 months.

9) Review:

Trustees should review the Investment policy to ensure it is still fit for purpose annually.

Appendix B - Reserves Policy

Purpose of the Policy

The Department for Education (DfE) expects educational establishments to use their allocated funding for the full benefit of their current pupils. Therefore, it is important that, if an organisation has a substantial surplus, they have a clear plan for how it will be used to benefit their pupils.

Budget forecasts sent to the Education & Skills Funding Agency (ESFA) must declare any unspent funds expected to be carried forward at the end of the financial year. The ESFA will also verify the sums of unspent funds when it checks the organisation's accounts and highlight and report, to the relevant DfE Boards, any cases where it has serious concerns about a long-term substantial retained surplus with no clear plans for use.

It is important that the reserves strategy takes account of longer-term financial forecasts including 3 year budget projections. The underlying position is of reducing amounts of funding as further cuts in education funding happen which are only partially protected by the Minimum Funding Guarantee.

Types of reserves:

Restricted Revenue Reserve

- This is usually the amount of unspent General Annual Grant from each academy school.

Unrestricted Revenue Reserve

- This is retained funding inherited by the schools upon conversion to academy or self-generated funds through lettings, and other income generation activities.

Reserves strategy

The Trust acknowledges that it has a duty to ensure long-term financial sustainability. Holding a level of reserves is essential to ensure the Trust builds in resilience to overcome emergency situations, short-term cash flow challenges due to delays in funding, in-year unexpected changes in funding levels, but also to provide a means to support long-term capital investment, and develop the Trust.

The Trust takes into consideration the reserves levels annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves.

The board takes into consideration the future plans of the Trust, the uncertainty over future income streams and other key risks identified during the risk review. Under its funding agreements with the Department of Education the Trust is not allowed to borrow any money. It is the aim of the Trust to hold free cash restricted and unrestricted reserves for the following purposes:

- Short Term Challenges - provide sufficient working capital to cover delays between spending and receipt of grants, in-year unexpected changes in funding levels, and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. The minimum level to be set at 1 months Gross Salaries cost.
- Capital Investment - provide funds for a programme of capital investment in fixed assets. This includes items such as information technology equipment, educational equipment, office equipment, vehicles and other assets. It is expected that academy schools will build into annual budgets a level of budgeted expenditure sufficient to fund regular updating and renewal of educational equipment. The Trust will also develop a 3-year capital investment plan to be reviewed annually. The capital investment plan will indicate levels of long-term funding needed to support major Trust wide fixed asset programmes. The minimum level to be set at 1% of each school's current budgeted total income.
- Development - provide funds for development, supporting some schools as they grow and to support the expansion and diversification of the Trust in line with the strategic plan.

Monitoring and Review

The policy and reserves levels will be monitored at least twice each year:

- Each year alongside annual budgeting and long-term forecasting
- Each year alongside the preparation of the Trust's year-end report and accounts

The policy will be reviewed annually.