



# Interaction & Communication

— Academy Trust —

# Financial Procedures Policy

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Due to the Interaction and Communication Trust Academies being re-brokered. This policy has been extended.

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## Statement of intent

It is important for the Interaction and Communication Trust (ICAT) and all its Members, Directors, Local Governors and staff to demonstrate that they do not benefit personally from decisions they make in regard to the spending of public money. In order to ensure that the financial standing of ICAT cannot be brought into disrepute, this policy will be implemented by all academies within ICAT, guaranteeing consistency in financial procedures across the academies.

This policy applies to all Members, Directors, Local Governors and employees of ICAT, as well as services and goods sourced from external agencies, such as contractors and caterers.

ICAT takes its responsibility of handling public funds with the utmost importance and strives continuously to provide a high-quality education and safe learning environment, whilst having a strong financial standing.

## 1. Legal framework

This policy has due regard to statutory legislation, including, but not limited to, the following:

- The Employment Relations Acts
- Companies Act 2006
- Companies Act 1985
- The Equality Act 2010
- The Charities Act 2011

This policy also has due regard to DfE guidance, including, but not limited to, the Academies Trust Handbook.

This policy should be used in conjunction with the following Trust policies:

- ICAT Scheme of Delegation
- ICAT Gifts, Hospitality and Anti Bribery Policy
- ICAT Fixed Asset and Depreciation Policy
- ICAT Conflicts of Interest Policy

## 2. Roles and responsibilities

All members of ICAT, including the Board of Directors (also known as Directors) and the individual governing bodies involved, will act in accordance with this policy at all times.

ICAT's Accounting Officer, the CEO, has personal responsibility to Parliament, (with Accounting Officers in the Education and Skills Funding Agency and Department for Education), for:

- Ensuring regularity – that public money is spent for the purposes intended by Parliament
- Ensuring propriety – that expenditure and receipts are dealt with in accordance with Parliamentary intentions – developing and maintaining appropriate standards of conduct, behaviour and corporate governance in the application of funds.
- Ensuring value for money
- Keeping proper financial records and accounts
- Day-to-day running of the academies in the Trust
- Assuring the board that there is compliance with the funding agreement and the academies financial handbook.

The Accounting Officer will be helped in meeting these duties by the Director of Finance and others, but the responsibilities can't be delegated.

ICAT's Board of Directors is responsible for:

- The overall administration of ICAT's finances.
- Approval of ICAT's annual accounts and financial statements.
- Ensuring that funds are received according to the Trust's funding agreement and each academy's funding agreement and are used only for the purposes intended.
- Approving the annual budget, consolidated budget, central budget and each individual academy's budget, as well as changing any material where necessary.
- Approving ICAT financial plans.
- Ensuring an appropriate Scheme of Delegation is in place.
- Ensuring assets are effectively managed.
- Ensuring accurate accounting records are maintained.
- Receiving the annual audit report.
- Appointing the Resource, Audit & Remuneration Committee and approving its terms of reference.
- Appointing the Trust Accounting Officer.

The above major responsibilities are unlikely to change, but other financial responsibilities are set out in the relevant sections of the Scheme of Delegation, which is available on the ICAT website and schools' websites. To avoid duplication and the risk of contradiction, they are not set out again here.

The ICAT Central Team is made up of the CEO, Director of Finance and Director of Operations.

The Senior Management Team comprises of the above in addition to the Principal of each school.

The Senior Leadership Team is based in each school and is individual to each school in the Trust.

### **3. Budget setting**

The budget is a working document which may need revising throughout the year as circumstances change. Any significant revision will be reported to the Resource, Audit & Remuneration Committee and the LGBs, as well as the board of Directors.

The budget planning process follows an annual planning cycle and consists of the following four phases:

- Planning
- Budget setting
- Monitoring
- Review

The budget process incorporates the following elements:

- Forecasts of likely pupil numbers to estimate the amount of DfE grant available

- Review of other income sources
- Review of past performance against budgets
- Identification of potential efficiency and budget containment actions
- An annual review of expenditure headings to reflect known changes and expected variations in costs, such as pay increases, inflation or other anticipated changes

Each school within ICAT will have an independent budget which will be managed by the School Business Management, Principal and overseen by the LGB

- The detailed budget will be prepared by the School Business Manager (SBM) and agreed by the LGB. However, it will also have to be approved by the board of Directors, advised by Resource, Audit & Remuneration Committee. They will carry out checks including, but not limited to, that the total spend is within the Trust's budget limits for that school and that the budget will meet requirements for regularity, propriety and value for money.

A balanced budget for the forthcoming financial year will be approved by the full Board of Directors, and this approval will be minuted.

The annual budget will reflect the best estimate of the resources available to ICAT for the forthcoming year and will detail how those resources will be utilised, establishing clear links to support the objectives identified in the school improvement plans.

Both medium-term and short-term financial plans are prepared for ICAT and each of the schools in ICAT.

As part of the development planning process, the medium-term financial plans are prepared. The development plan indicates how each academy's educational aims and other objectives are going to be achieved within the expected level of resources over the next three years.

The development plan provides the framework for the annual budget.

Draft budgets will be presented to the Principals and LGBs, as well as to the Director of Finance and Board of Directors, together with a supporting report for approval.

Once the budget is agreed, this will be communicated to all responsible budget holders to ensure they are aware of the overall budgetary constraints.

#### **4. Budget management and monitoring**

In order to implement a smooth-running planning process, the Director of Finance will create a budget timetable which outlines important dates, such as when information will be collected, including salary information and estimated budget allocation.

A continuous review of the aims and priorities of the strategy will be undertaken based on the monitoring and analysis performance.

Each SBM is responsible for monitoring income and expenditure in his or her academy throughout the year, reporting to the LGB as appropriate, and feeding information and reports to the Director of Finance to assist in preparing monthly reports to the board and others.

A three-year budget forecast will be prepared when the budget for the current financial year is being set.

In the event of a potential deficit budget being set, this will be referred to the Board of Directors to determine if there is any alternative, as Education Funding Agency approval is required.

The Director of Finance will prepare monthly reports for ICAT and all the academies within ICAT, which detail actual income and expenditure against the budget. These will be discussed and reviewed on a monthly basis with the Chair of Directors and Accounting Officer (CEO). The monitoring process will be effective and timely in highlighting variances in the budget so that differences can be investigated, and action taken where appropriate.

The Resource, Audit & Remuneration Committee will continually monitor the quality of the financial information presented to them in order to ensure that what is provided remains appropriate, particularly in terms of its timing, level of detail and narrative.

ICAT will submit financial returns to the DfE in the required format and by the required deadlines, as notified by the DfE year-on-year.

## **5. Register of interests**

All schools within ICAT will act in accordance with the Conflicts of Interest Policy. It is important for all ICAT Members, Directors, Local Governors and staff members with significant financial powers to demonstrate that they do not benefit personally from decisions they make in regard to the spending of public money.

To avoid any misunderstanding that may arise, all ICAT Members, Directors, Local Governors and staff members with significant financial powers are required to declare any financial interests they have in companies or individuals from whom ICAT may purchase goods or services. The disclosures also include business interests of relatives, partners and business partners, where influence could be exerted over a Governor or a member of staff by that person.

All potential conflicts of interest will be recorded in the Register of Interests, parts of which will be open to public inspection.

Further details are provided in the Conflicts of interest policy.

## **6. Purchasing, procurement and returns**

To maintain integrity concerning the use of public funds, the following general principles will be adhered to:

- Probity – it must be demonstrable that there is no corruption or private gain involved in the contractual relationships of ICAT.
- Accountability – ICAT is publicly accountable for its expenditure and the conduct of its affairs.
- Fairness – all those dealt with by ICAT are dealt with on a fair and equitable basis.

To promote the achievement of value for money and impartiality in the selection of suppliers, the following procedures for purchasing shall be followed for the values of different purchases:

- Purchases up to £5,000 will, wherever practicable be on a competitive basis, information shall be obtained from LA circulars, catalogues, company representatives, telephone calls, etc. to enable an informed choice to be made and evidence retained in writing of the reason for the choice. The Principal or SBM should approve all purchases over £1,000.
- Purchases between £5,001 & £15,000:
  - A minimum of three written tenders shall be requested and retained. Before purchasing the order must be approved by the Director of Finance.
- Purchases between £15,001 & £160,000
  - At least four written tenders shall be obtained. Invitations to tender stating the nature of the contract and the last date for receipt of tenders shall be sent to not less than four suitable contractors. Please see tendering procedures at Appendix A
  - Before purchasing it must be discussed with the Director of Finance and approval given by the Resource, Audit and Risk board.
  - such tenders will need to be advertised via the Government's e-notification service called Find a Tender (FTS) which will be used to post and view public sector procurement notices. Please see FTS rules and thresholds as these may vary from time to time
- Purchases in excess of £160,000
  - At least five written tenders shall be obtained in accordance with the methods described above. Please see tendering procedures at Appendix A
  - Before purchasing it must be approved by the Board of Directors.
  - such tenders will need to be advertised via the Government's e-notification service called Find a Tender (FTS) which will be used to post and view public sector procurement notices. Please see FTS rules and thresholds as these may vary from time to time

Note: If, in some instances, fewer than the required number of tenders are returned, the delegated person/body shall consider if the tenders obtained demonstrate a sufficiently competitive process which will bring value for money.



An accepted tender will be one that is economically most advantageous, unless it can be demonstrated that this is not the best option for ICAT and other factors outweigh any monetary savings.

Tenders shall be received in a plain sealed envelope without any mark indicating the sender and shall be opened at the time and date indicated, by at least two persons representing the school. A record shall be made of the tenders submitted and the tender accepted.

### **Day to day purchasing**

Except for petty cash purchases and charge card purchases, all school purchases must be submitted for prior authorisation using the school requisition form/purchase order. This must be duly authorised and hand signed by the Director of Finance, CEO, Principal, SBM or other Member of SLT before incurring expenditure.

Please refer to the relevant section for signatory limits.

When a purchase requisition has been authorised the school's Finance Officer can order the goods using the Trust's accounting system PS Financials.

PS Financials will be set up in a way that requires the use of authorised suppliers and aims to enforce appropriate segregation of duties so that it is not possible for one person to order, receive and pay for any item, unless in exceptional staffing circumstances.

When purchasing consideration should be given to ensure opportunities are used to obtain economies of scale, i.e. can schools in the Trust bulk buy the same item  
All orders where goods are physically received in school must have a signed delivery note by someone other than the person placing the order or paying the invoice.

All orders where no goods are received in school must have the invoice signed by the person who has received the service i.e. Site Manager for maintenance work.  
Orders must never be made for the purchasing of items or services for personal use.

## **7. Academy bank account**

The Trust banks with Lloyds Banking Group and each academy has an enabling account and a Charitable Trust account. There is also a central bank account for the Trust.

### **Commercial online banking**

The Lloyds Commercial Online banking is administered by the Director of Finance. Each school has at least three authorised signatories who must be part of the SLT or SMT and agreed by the CEO/Principals and Director of Finance, this will usually be the Principal, Deputy Principal and SBM. All transactions must be authorised by two of the signatories.

Each Finance Officer has access to Lloyds Commercial Online to enable them to upload BACs runs and download bank statement only.

Where possible all invoices should be paid by BACs through Lloyds Commercial Online or on the schools printed cheques.

## 8. Income and expenditure

The main source of income for ICAT and the schools involved is through High Needs funding from the Local Authorities and the GAG funding from the Education and Skills Funding Agency.

The schools and Trust monitor the receipt of grants, ensuring that all grants due to the schools within ICAT are appropriately collected.

ICAT collects income from parents/carers via numerous methods including, but not limited to, the following:

- School meals
- Trips and residential visits
- Book bags and uniform
- Additional nursery places
- Breakfast and after school club lettings
- Reimbursements from various parties and activities
- Letting the land

There are two main areas of expenditure:

- Salaries – this forms the largest element of expenditure.
  - Salaries of all staff members will be reviewed on an annual basis by the Resource, Audit and Risk Committee, taking advice as required.
  - Special procedures may apply to some staff such as the Senior Management Team. See the Scheme of Delegation.
  - Please see the Pay Policy for further details.
  - The Director of Finance/SBM will cost all pay awards, incremental progression and performance led pay increases, using known figures and estimates, when preparing the draft budget using HCSS budgeting tool.
- Premises maintenance:
  - For non-PFI schools, a combination of maintenance surveys and historical costs will form the basis for planned maintenance. An allowance for unexpected contingencies, as well as for any small new works which may be proposed in-year should be built into each school's budget
  - For PFI schools, maintenance is undertaken by the PFI provider in accordance with the contract.

No debts of £250 or more will be written off without the express approval of the Director of Finance or Board of Directors. Any debts below £250 should be agreed by the Principal and will be recorded by the School Business Manager.

The SBM will keep an up-to-date record of the income and expenditure for their individual school. The Director of Finance will keep an up-to-date record of the income and expenditure for the Trust.

Any money collected in return for goods or services such as a school trip, will be banked in its entirety in the appropriate bank account by the SBM. The SBM is responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system.

## 9. Charge card purchasing

**The Director of Finance is the administrator for the scheme. It is the responsibility of the card holder to ensure their card is kept secure at all times and only used by themselves for school purchases.**

Only persons identified by the Director of Finance/CEO will hold a charge card. All charge card expenditure should be detailed on a school requisition form/purchase order and authorised as per the aforementioned signatory limits.

If the charge cards are lost or stolen it must be reported to the Director of Finance immediately, as should any misuse or suspected fraud.

Charge card statements are received by the card holder each month, these must be passed to the Finance Officer along with all supporting documents, including the signed delivery note and VAT invoice. The Finance Officer will check the transactions against the documents and highlight any anomalies immediately to the SBM. The SBM will check the transactions and authorise the charge card statement only once all appropriate evidence is in place and any anomalies resolved. Where the SBM is the holder of the charge card then another member of SLT should authorise the statement. All statements must then be processed through PS Financials and VAT claimed where possible.

## 10. Cash management

All cheques and other methods authorising withdrawal of cash from any of ICAT's bank accounts will bear authorising signatures/electronic signatures in line with the Bank Mandate. Cheques/BACS will be signed by two authorised signatories.

A petty cash tin is kept at each school within ICAT, which is the responsibility of the SBM or Finance Officer, other than ICATs which is the responsibility of the Director of Finance.

The maximum amount to be stored in any tin is £500 which will be stored in a lockable cash box and where possible in a safe.

The SBM or Finance Officer is responsible for the management of petty cash and will:

- Ensure petty cash is held securely.
- Make reimbursements only on receipt of an authorised expense claim with a receipt signed by another member of staff confirming goods have been received into school

- Where payment is being made to the holder of the petty cash tin then a member of SLT must sign the payment
- In exceptional circumstances cash can be made available to staff in advance of a receipt being available; however, these are limited to small items under £35
- Reconcile petty cash monthly and signed off by the SBM or another member of delegated staff if the SBM is the holder of the tin
- Make the petty cash available for checking at any time
- Record all petty cash transactions as soon as possible

In the interests of security, individual petty cash transactions will be limited to £20. Any payments above £20 will be made via BACs. Where payment above £20 is being made to an authorised signatory then where possible 2 other signatories must authorise the payment.

Valid receipts for all goods must be submitted and authorised before petty cash is reimbursed.

- A "missing receipt" form is provided for use in emergencies. This must be authorised by the SBM/Director of Finance

The SBM or Finance Officer will be available to reimburse petty cash expenses and the recipient will sign a petty cash form to acknowledge receipt.

Details of monies held in the safe will reflect balances shown in the cash book.

It is the responsibility of the SBM to make all staff aware that only debit cards should be used when reclaiming money from school. They should also ensure no personal shopping is on the receipt.

## **11. Payroll and staff payments**

Payroll forms the largest element of the school budget and it is therefore essential that financial procedures and internal controls in relation to payroll are properly implemented.

ICAT currently uses Dataplan for payroll processing and their online portal VERA. All variations to payroll control should be done using this system. Only persons identified by the Director of Finance, CEO and Principals will have access to this system.

All payroll transactions relating to any member of staff, permanent or casual, will be processed through the appropriate payroll system. Payments for employment will not be made through any other mechanism.

Each school within ICAT will act in accordance with the pay policies in force at all times.

The main elements of the payroll system include staff appointments, payroll administration and payments.

The Principal/CEO, Director of Finance, Director of Operations and SBMs are responsible for ensuring that:

- Payments are made only to bona-fide employees.
- Payments are in accordance with individuals' conditions of employment.
- Deductions, including income tax, national insurance and pensions, are properly administered.
- Payments are made only in respect of services provided to the school.
- Any amendments to the payroll, i.e. overtime, unpaid leave etc should be authorised by the SBM and or Principal before being processed through VERA. To ensure segregation of duties the HR Officer or Finance Assistant must process all amendments. The Director of Finance and Director of Operations are able to authorise or process for any of the schools if needed.
- All amendments to staff including starters, leavers and changes to contracts or personal details must be processed using "Smart forms" by the HR Officer or Finance Assistant. The Director of Finance and Director of Operations are able to authorise or process for any of the schools if needed.

Once Dataplan have prepared the first version of the monthly pay run the HR Officer/Finance Assistants must check that the nett pay for each member of staff is correct, making comments for any variances from the prior month. Once the final version is ready the SBM and Principal must sign the payroll reports. The SBM can then approve the payroll run on VERA. The Director of Finance and Director of Operations are able to authorise or process for any of the schools if needed.

The Director of Finance is responsible for the central payroll.

Each SBM is responsible for keeping VERA up to date. This will include the following information about staff Members:

- During the spring term each year, the SLT and SBM will review staffing requirements for the following academic year and propose any changes. Any proposed changes to the SLT structure will be reviewed and approved by the Resource, Audit and Risk Committee.

The Resource, Audit and Risk Committee are responsible for authorising the following salary changes as recommended by the Remuneration Committee:

- Pay awards for all staff
- Staffing structure changes
- Performance related pay progression

The payroll provider will be continuously monitored and reviewed by the Director of Finance.

Payment for staff expenses, including mileage claims, will be made on receipt of an authorised expense claim form having followed the Expenses Policy. Payment will be made by cheque/BACS.

Tax arrangements for senior employees:

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

## 12. Special payments

### Novel, contentious, and repercussive transactions

Novel, contentious and/or repercussive transactions must always be referred to ESFA for prior approval. ESFA may refer such transactions to HM Treasury for approval, so trusts should allow sufficient time for proposals to be considered.

- Novel transactions are those of which the academy trust has no experience, or are outside its range of normal business.
- Contentious transactions are those that might cause criticism of the trust by Parliament, the public or the media.
- Repercussive transactions are those likely to cause pressure on other trusts to take a similar approach and hence have wider financial implications.

### Other Special Payments

Certain transactions by public bodies may fall outside their usual planned range of activity and may exceed statutory and contractual obligations. HM Treasury calls these special payments, (see annex 4.13 of Managing Public Money), and are subject to greater control than other payments. They include:

- staff severance payments
- compensation payments
- ex gratia payments.

### Special staff severance payments

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

If a Trust is considering a staff severance payment above statutory or contractual entitlements, it must consider the following issues before making a binding commitment:

- that the proposed payment is in the Trust's interests
- whether the payment is justified, based on legal assessment of the Trust's chances of successfully defending the case at employment tribunal. If there is a significant prospect of losing the case, a settlement may be justified, especially if the costs of a defence are likely to be high. Where a legal

assessment suggests the Trust is likely to be successful, a settlement should not be offered

- if the settlement is justified, the Trust would need to consider the level of settlement. This must be less than the legal assessment of what the relevant body (e.g. an employment tribunal) is likely to award.

Staff severance payments should not be made where they could be seen as a reward for failure, such as gross misconduct or poor performance. The only acceptable rationale in the case of gross misconduct would be where legal advice is that the claimant is likely to succeed in an employment tribunal because of employment law procedural errors. In the case of poor performance, an acceptable comparison would be the time and cost of taking someone through performance management and capability procedures.

The Trust has delegated authority to approve individual staff severance payments provided any non-statutory/non-contractual element is under £50,000 gross (i.e. before income tax or other deductions). Where the Trust is considering a non-statutory/non-contractual payment of £50,000 or more, (gross, before deductions), Education Skills Funding Agency (ESFA) prior approval must be obtained before making any binding offer to staff. ESFA will refer such transactions to HM Treasury, so Trusts should allow sufficient time for proposals to be considered. Examples of approval requirements are as follows:

Statutory/contractual payment		Non-statutory/non-contractual payment	ESFA/HM Treasury approval required?
£30,000	+	£30,000	No
£60,000	+	£30,000	No
£30,000	+	£50,000	Yes – for £50,000

Trusts should demonstrate value for money by applying the same scrutiny to a payment under £50,000 as those over £50,000 and have a justified business case. Settlements must not be accepted unless satisfying the conditions in this handbook and in ESFA's guidance and submission template.

### **Use of confidentiality clauses**

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

### **Compensation payments**

Compensation payments provide redress for loss or injury, for example personal injuries, traffic accidents or damage to property. If a Trust is considering a

compensation payment, it must base its decision on a careful appraisal, including legal advice where relevant, and ensure value for money.

Trusts have delegated authority to approve individual compensation payments provided any non-statutory/non-contractual element is under £50,000. Where the Trust is considering a non-statutory/non-contractual payment of £50,000 or more ESFA's prior approval must be obtained. ESFA will refer such transactions to HM Treasury.

Trusts should consider whether cases reveal concerns about the effectiveness of internal control systems and take steps to correct failings.

### **Ex gratia payments**

Ex gratia payments are another type of transaction going beyond statutory or contractual cover, or administrative rules.

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

### **Write-offs and entering into liabilities.**

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

- writing-off debts and losses
- entering into guarantees, letters of comfort or indemnities.

The delegated limits, subject to a maximum of £250,000, are:

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

In relation to these limits:

- the Trust should always pursue recovery of amounts owed to it, including overpayments, or erroneous payments. In practice, however, there will be practical and legal limits to how cases should be handled
- the Trust should only consider writing-off losses after careful appraisal, including whether all reasonable recovery action has been taken with the debtor, the Trust's insurers, or the risk protection arrangement, and should be satisfied there is no feasible alternative
- the amounts for write-offs are before successful claims from an insurer or the risk protection arrangement



- total annual income is defined as grant income as disclosed in the Trust's last audited accounts. ESFA should be contacted if the Trust has not yet published their first audited accounts.

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

### **Acquisition and disposal of fixed assets**

Trusts must obtain prior approval from ESFA for the following transactions:

- acquiring a freehold of land or buildings
- disposing of a freehold of land or buildings
- disposing of heritage assets, as defined in financial reporting standards, beyond any limits in the funding agreement for the disposal of assets generally.

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

### **Leasing**

There are two types of lease:

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

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

- taking up a finance lease on any asset for any duration from another party, which are subject to the borrowing restrictions
- taking up a leasehold or tenancy agreement on land or buildings from another party for a term of seven or more years
- granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party.

Other than the above, Trusts do not require ESFA's approval for operating leases. Trusts must ensure any lease maintains the principles of value for money, regularity and propriety.

Trusts should seek advice from their professional adviser and/or external auditor if they are in doubt over whether a lease involves borrowing.

## **13. Remissions and charging**

Each individual school will act in accordance with ICAT's Charging and Remissions Policy at all times.

Payments for activities will be processed and recorded by the SBM.

The SBM is responsible for ensuring that the correct invoices are sent to parents/carers, and that payment is received.

The Resource, Audit and Risk Committee review the Charging and Remissions Policy annually, seeking advice from the Director of Finance where necessary.

#### **14. VAT procedures**

ICAT is not registered for VAT but is entitled to reclaim VAT on qualifying purposes through a monthly VAT return (a "VAT 126" return).

VAT can only be reclaimed where a valid VAT invoice is held. Therefore, those who enter transactions onto the accounting system must not enter VAT to be reclaimed unless a valid VAT invoice is present.

Under legislation, VAT claims can be made on expenditure which supports ICAT's core business purposes.

A report is run for each of the schools within ICAT by the Director of Finance, in order to provide the data necessary for the completion of the VAT reclaim form.

VAT is reclaimed on a monthly basis.

Only one return for ICAT is required by HMRC; however, ICAT will pass on refunds received to individual schools.

ICAT is eligible to reclaim the majority of VAT it pays on invoices from HMRC. Any invoices for which VAT cannot be reclaimed, as the purchases were for exempt activities, should be correctly recorded (without entering reclaimable VAT) by the school's finance team, so that VAT is not wrongly reclaimed.

Where invoices relate partly to VATable activity and partly to exempt activity, only the proportion of the VAT relating to the non-exempt activity will be reclaimed.

On receipt of the reclaimed VAT from HMRC, the Director of Finance will review the remittance, confirm whether this equals the claim made and sign the remittance to confirm this agreement.

#### **15. The audit process**

When undergoing an audit, ICAT will provide the appointed auditor(s) with access to PS Financials and all books, records, information, explanations, assets and premises, and copies of any relevant documents may be taken.

In terms of the end of year audit, in accordance with the Companies Act 2006, ICAT will:

- Appoint an auditor to certify whether the accounts present a true view of the Trust's financial performance and position.
- Produce audited accounts.
- Produce a letter of engagement, purchasing the external auditor's services in writing.

- Ensure that the letter of engagement ([appendix C](#)) provides for the removal of auditors, before the expiry of the term of office, in exceptional circumstances.
- The Members are responsible for the appointment of external auditors, advised by the Resource, Audit and Risk committee and the Director of Finance.
- The appointment will be retendered at least every 5 years.
- During July or earlier, the appointed auditors will start their preparative work on the annual accounts.
- During December or earlier, the appointed auditors will present the Board of Directors with the annual accounts for them to review and approve financial statements.

The auditor's statement on regularity, propriety and compliance will be included in ICAT's annual report. This formal declaration is to ensure that ICAT has fulfilled the following responsibilities:

- Efficient and effective use of resources in ICAT's charge
- Public money is spent only for the purposes intended by Parliament
- Maintained appropriate standards of conduct, behaviour and corporate governance when applying the funds under their control

ICAT will submit the audited accounts and auditor's regularity assurance report to the ESFA by 31 December each year.

The audited accounts will be published on ICAT's website by 31 January the following year.

Any senior manager salary over £100,000 will also be published on the Trust's website by 31st January the following year and held online for 2 years.

ICAT is required to submit financial returns to the EFSA annually, as well as the audited financial statements.

The National Audit Office (NAO) holds the right to access the book of accounts and all relevant records, files and reports of an MAT for inspection, or for the carrying out of value for money studies.

The financial accounts of each school will be consolidated into those of the ESFA and DfE.

The ESFA will use a combination of audited accounts, accounts return and other information to generate the consolidated accounts. These accounts will be audited by NAO.

Each school is a component of the consolidation and, therefore, the ICAT Central Team will prepare the financial information requested by the ESFA for this purpose. The auditor(s) involved has a responsibility to advise the board of Directors and ESFA of any instances of irregularity or impropriety, as well as any non-compliance with the terms of ICAT's funding agreement.

The Resource, Audit and Risk Committee, taking advice from the Trust Central Team and external auditors, will create and keep under review appropriate arrangements for internal audit and assurance in line with the Academies Financial Handbook directive, and will advise the Trust Board accordingly. All decisions about internal audit arrangements and matters arising from internal audit will be decided by the Trust Board, taking account of the advice given.

## **16. Record keeping**

All financial transactions of the Trust are recorded including, but not limited to, the following:

- Purchases and tenders
- Returns
- Payroll
- Cash flow
- Income and expenditures
- VAT returns

The Director of Finance is responsible for keeping up-to-date records of ICAT's financial state.

The SBM for each individual school is responsible for keeping up-to-date records in relation to the finances of that school.

Records will include the following information:

- Income and expenditure; identifying which transactions were cheques and which were cash payments
- The income and expenditure for each activity, with the activity recorded as a budget heading
- A balance sheet which identifies total income, expenditure and the balance for each budget heading
- The total income and expenditure for the year
- The balance and carry forward from the previous year
- Identified profit and loss, any causing concern is investigated

Each school has its own set of financial records for day-to-day operational purposes and budget management.

A record will be kept of all the monies kept on the premises prior to banking, as well as the amount which is kept as petty cash.

All financial records will be kept on PS Financials system or where they are outside the scope of that system (e.g. tendering records), securely by the SBM.

Financial records must be retained for at least 6 years (Charities Act 2011 s136(3))

## **17. Principles applying to related party relationships**

Trusts must be even-handed in their relationships with related parties by ensuring that:

- Directors comply with their statutory duties as company directors to avoid conflicts of interest, not accept benefits from third parties, and declare interest in proposed transactions or arrangements
- all Members, Directors, Local Governors of schools and senior employees complete the register of interests, in accordance with sections 5.44 to 5.47 of the Academies Financial Handbook
- no Member, Director, Local Governor, employee or related individual or organisation uses their connection to the Trust for personal gain, including payment under terms that are preferential to those that would be offered to an individual or organisation with no connection to the Trust
- there are no payments to Directors by the Trust unless permitted by the articles, or by authority from the Charity Commission, and comply with any relevant agreement with the Secretary of State. Trusts will need to consider their:
  - obligations where payments are made to other business entities who employ the Trustee;, are owned by the Trustee, or in which the Trustee holds a controlling interest
  - the Charity Commission's approval is obtained where the Trust believes a significant advantage exists in paying a Trustee for acting as a Trustee
  - payments provided to the persons referred to in 5.48 (the 'At Cost')section of the Academies Financial Handbook satisfy the 'at cost' requirements in this handbook.
- The Trust should be aware of the Charity Commission's guidance for Directors CC11: Trustee expenses and payments.
- The Board of Directors must ensure requirements for managing related party transactions are applied across the Trust. The Board Chair and the Accounting Officer must ensure their capacity to control and influence does not conflict with these requirements. They must manage personal relationships with related parties to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with the 7 principles of public life.
- Trusts must recognise that some relationships with related parties may attract greater public scrutiny, such as:
  - transactions with individuals in a position of control and influence, including the Board Chair and Accounting Officer
  - payments to organisations with a profit motive, as opposed to those in the public or voluntary sectors
  - relationships with external auditors beyond their duty to deliver a statutory audit.
- The Trust must keep sufficient records, and make sufficient disclosures in their annual accounts, to show that transactions with these parties, and all other related parties, have been conducted in accordance with the high standards of accountability and transparency required within the public sector.

- Reporting and approval of related party transactions
- Trusts must report all contracts and other agreements with related parties to ESFA in advance of the contract or agreement commencing, using ESFA's related party on-line form. This requirement applies to all such contracts and agreements made on or after 1 April 2019.
- Trusts must obtain ESFA's prior approval, using ESFA's related party on-line form, for contracts and other agreements for the supply of goods or services to the Trust by a related party agreed on or after 1 April 2019 where any of the following limits arise:
  - a contract or other agreement exceeding £20,000
  - a contract or other agreement of any value that would mean the cumulative value of contracts and other agreements with the related party exceeds, or continues to exceed, £20,000 in the same financial year ending 31 August.
- For the purposes of reporting to, and approval by, ESFA contracts and agreements with related parties do not include salaries and other payments made by the Trust to a person under a contract of employment through the Trust's payroll.

## **18. Monitoring and review**

This policy will be reviewed on an annual basis, or when new legislation/guidance regarding the subject is published, by the Resource, Audit and Risk Committee. The Director of Finance will review and monitor all financial records continuously throughout the year.

The SBM will review and monitor each individual academy's financial records, raising any concerns with the Director of Finance.

If significant balances can be foreseen, steps will be taken to invest the surplus funds. Investment will be made in accordance with written procedures approved by ICAT under a separate Investment Policy.

## Appendix A

## Schedule of ICAT Directors and Committee Meetings

**Day / Date Time Meeting**

Thursday 16 September 2021	6.00pm	Full Board of Directors
Wednesday 20 October 2021	5.00pm	Academic & Safeguarding Committee
Thursday 18 November 2021	4.30pm	Resource, Audit & Risk Committee
Tuesday 30 November 2021	6.00pm	Annual General Meeting (Members & Directors)
Thursday 10 February 2022	4.30pm	Resource, Audit & Risk Committee
Thursday 3 March 2022	5.00pm	Academic & Safeguarding Committee
Thursday 24 March 2022	6.00pm	Full Board of Directors
Thursday 12 May 2022	4.30pm	Resource, Audit & Risk Committee
Wednesday 29 June 2022	5.00pm	Academic & Safeguarding Committee
Tuesday 5 July 2022	4.30pm	Resource, Audit & Risk Committee
Tuesday 12 July 2022	6.00pm	Full Board of Directors

## Appendix A – Detailed tendering procedures

This appendix lays out the detailed procedures for use when formal tenders are required.

### Forms of Tenders

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 [insert job title] 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 is 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 (or service provision) by the existing supplier are justified.

### Preparation for Tender

Full consideration should be given to:

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

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.



A tender brief must always be prepared and is reviewed by the SBM (for an individual school) or the Director of finance (for the Trust)

### **Invitation to Tender**

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.

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**

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**

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.

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**

The evaluation process should involve at least two people who may be SBM, SLT members, Local Governors, or members of the ICAT central team. 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.

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.

Full records should be kept of all criteria used for evaluation and for contracts over £25,000 a report should be prepared for the Resource, Audit and Risk Committee highlighting the relevant issues and recommending a decision. For contracts under

£25,000 the decision and criteria should be reported to the Resource, Audit and Risk Committee. The accepted tender should be the one that is economically most advantageous to the Trust.

All parties are then informed of the decision.