



**The Academy Trust Handbook
September 2025**

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Appendix 1

Changes to internal scrutiny

Appendix 2

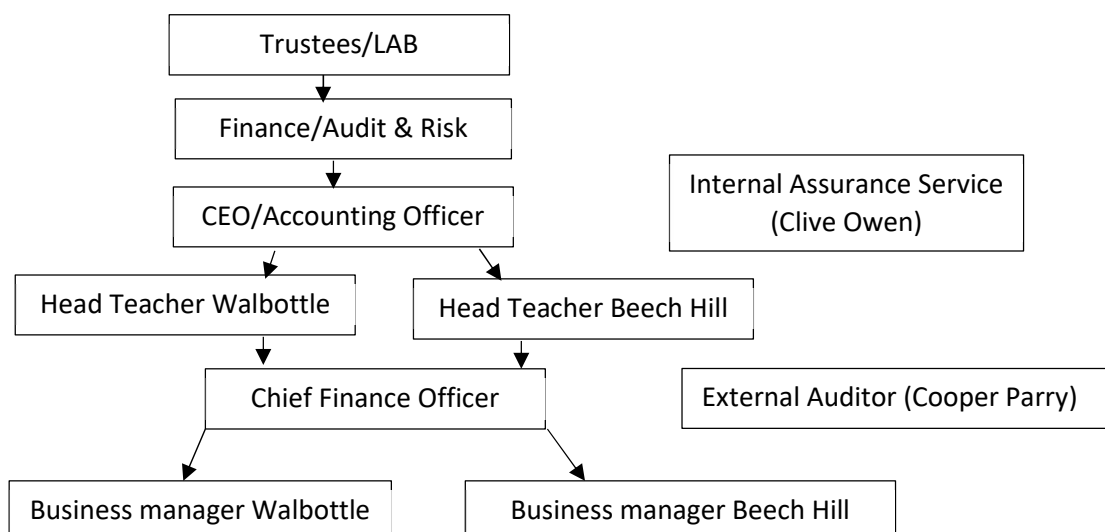
significant changes 2020_21

1. Introduction

- 101 The purpose of this manual is to ensure that the Academy establishes and maintains effective systems of financial management, control and reporting. It is aimed at Finance Staff in the Academy, but should be available to all staff with budgets, income or expenditure responsibilities.
- 102 The Academy must comply with the principles of financial control outlined in the academies guidance published by the DfE, primarily, the Academies Financial Handbook. This manual expands on that and provides detailed information on the Academy's accounting procedures and system manual should be read by all staff involved with financial systems.
- 103 This should be read in conjunction with the following Academy documents;
- Fraud and Corruption Policy
 - Asset Policy
 - Confidential Reporting Policy (Whistleblowing)
 - Investment Policy
 - Risk Management Policy
 - Scheme of Delegation
- 104 Reference to the Department for Education (DfE) should also be read as referring to the Education Skills and Funding Agency (ESFA), where appropriate.
- 105 All queries should be referred to the Chief Finance Officer. The Chief Finance Officer will monitor compliance with the manual.

2. Organisation Structure

- 201 The financial reporting structure is illustrated below and is followed by a short introduction to the role of each body.



The Members and Trustees

What members do

Every trust has members who have a similar role to shareholders of a company limited by shares. They:

- are the subscribers to the memorandum of association (where they are founding members)
- may amend the articles of association subject to any restrictions created by the funding agreement or charity law
- may, by special resolution, appoint new members or remove existing members other than, where there is one, the foundation/sponsor body and any members it has appointed
- have powers to appoint trustees as set out in the trust's articles of association and powers under the Companies Act 2006 to remove trustees
- may, by special resolution, issue direction to the trustees to take a specific action
- appoint the trust's external auditors and receive (but do not sign) the audited annual report and accounts (subject to the Companies Act)
- have power to change the company's name and, ultimately, wind it up.

The academy trust **must** have at least three members, although the Department's strong preference is that trusts should have at least five members, Valour MAT currently has five members. Having more members:

- provides for a more diverse range of perspectives
- ensures members can take decisions via special resolution without requiring unanimity
- Trusts **must** ensure that their members are not currently subject to a direction made under section 128 of the [Education and Skills Act 2008](#) which prohibits individuals from taking part in academy trust management, and that they do not appoint as a member, a person who is currently subject to a section 128 direction.
- Members must not be employees of the trust, nor occupy staff establishment roles on an unpaid voluntary basis.
- Whilst responsibility to conduct the trust's strategic business sits with the trustees, if the governance of the trust by the board of trustees becomes dysfunctional the members will have a strong interest in ensuring the board has plans to address the issues, or otherwise to remove the board or individual trustees and re-appoint trustees with the skills necessary for effective governance.
- It is important, therefore, for members to be kept informed by trustees about trust business so they can be assured that the board is exercising effective governance. This must include providing the members with the trust's audited annual report and accounts.

- All trusts should have reserved places for parents, carers or other individuals with parental responsibilities in their [governance structure](#); trusts should hold elections to fill these places, as appropriate.

202 The Trustees is the official term for the Board of Academy Trustees. It is made up of 5 Local Area Board Members, and 6 Trustees. The Trustees must meet at least four times per annum. No business can be conducted unless a quorum of appointed members is present.

203 The Trustees responsibilities cover the full range of the Academy's activities; however, finance matters will be a standing agenda item at the Full Trustees meetings. The Trustees may delegate some of its financial responsibilities to the Finance Committee, which is a sub-committee. A representative of the Finance Committee will report on finance matters at each Trustees meeting. In addition, the LAB/Trustees must formally discuss and approve:

- The annual budget;
- Appointment, and remuneration, of senior staff;
- All purchasing decisions over £50,000;
- Disposal of assets above £20,000.

Setting executive pay

The board of trustees **must** ensure its decisions about levels of executive pay (including salary and any other benefits) follow a robust evidence-based process and are a reasonable and defensible reflection of the individual's role and responsibilities. No individual can be involved in deciding their remuneration. Decisions about executive pay may be challenged by DfE.

The board **must** discharge its responsibilities effectively, ensuring its approach to, and levels of, pay and benefits is transparent, proportionate and defensible. This **must** be documented in an agreed pay policy, which sets out the process for determining executive pay and includes:

- independent scrutiny by the board
- robust decision-making that demonstrates justifiable pay
- proportionality – that pay, and benefits represent good value for money and are defensible relative to the public sector market
- documented decision-making with rationale and approval by the board
- a basic presumption that executive pay and benefits should not increase at a faster rate than that of teachers, in individual years and over the longer term

Publication of pay

The trust **must** publish on its website in a separate readily accessible form the number of employees whose benefits exceeded £100,000, in £10,000 bandings, for the previous year ended 31 August. Benefits for this purpose include salary, employers' pension contributions, other taxable benefits and termination payments. Where the academy trust has entered into an off-payroll arrangement with someone who is not an employee, the amount paid by the trust for that person's work for the

trust **must** also be included in the website disclosure where payment exceeds £100,000 as if they were an employee.

Tax arrangements for senior employees

The academy trust **must** 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 HM Treasury fine.

Find out more about:

Check employment status for tax –HM Revenue and Customs (HMRC)(<http://www.hmrc.gov.uk/calcs/esi.htm>)

PAYE –HMRC(<http://www.hmrc.gov.uk/employers/index.shtml>)

Electric vehicle (EV) salary sacrifice schemes

2.31. Academy trusts **must** approach DfE to seek approval for the following transactions:

- entering into a new electric vehicle salary sacrifice scheme
- accepting any further employees onto an existing electric vehicle salary sacrifice scheme

You **must** contact DfE early in the planning stage, both in relation to new schemes and accepting further employees onto existing schemes.

204 Trustees may not receive any form of payment for their work, other than payment of reasonable out-of-pocket travel, accommodation or other expenses incurred while attending in the capacity of trustee.

205 No Trustee may hold an interest in property belonging to the Academy, nor may a trustee or individuals related to them receive remuneration in respect of any contract to which the Academy is a party, other than the exceptions permitted by the Academies Financial Handbook

The trustees **must** ensure regularity and propriety in use of the trust's funds, and achieve [economy](#), [efficiency](#) and [effectiveness](#) – the three elements of [value for money](#). The trustees **must** also take ownership of the trust's financial sustainability and its ability to operate as a [going concern](#).

Find out about the [Top 10 'musts'](#) for trustees.

What does the chair of trustees do?

The chair is responsible for ensuring the effective functioning of the board and has a vital role in setting the highest expectations for professional standards of governance and accountability for the board. It is the chair's responsibility to give the trust board clear leadership and direction,

keeping it focused on its core functions. The chair's role will be informed by the governance professional's (clerk's) advice and support. DFE will help chairs and their boards to do this if required.

Find out more about the role of the chair: [Governance structures and roles](#).

Can employees be trustees?

From 1 March 2022 any newly appointed [senior executive leader](#) can only be a trustee if the members decide to appoint them as such, the senior executive leader agrees and the trust's articles permit it. The Department's strong preference is for no other employees to serve as trustees, nor for trustees to occupy staff establishment roles on an unpaid voluntary basis, in order to retain clear lines of accountability. This does not prevent trustees from carrying out internal scrutiny as described in paragraph [\[3.17\]](#).

Can trustees delegate?

Yes. The board **must** appoint an audit and risk committee – either a dedicated committee or combined with another committee, in accordance with section [\[3.6\]](#), to advise the board on the adequacy of the trust's internal control framework, including financial and non-financial controls and risk management arrangements, to direct a programme of internal scrutiny and to consider the results and quality of external audit.

The board may also delegate functions to other committees. Each committee (other than those in a trust with multiple academies constituted as a local governing body) **must** contain a majority of trustees, but it may also include other people the board chooses to appoint.

Find out more about [internal scrutiny and the audit and risk committee](#).

Academy trusts must not have [de facto trustees](#) (defined in appendix 1 of the [Charities SORP](#)) or [shadow directors](#) (defined in section 251(1) of the Companies Act 2006).

Skills and experience

The board should identify the skills and experience it needs, including financial knowledge, and address gaps through recruitment, and/or induction, training and other development activities. This is particularly important at key transition points. The board should also address this for local governing bodies. The [Governance Handbook](#) identifies training material to help trustees develop and engage fully with their role. This includes a [competency framework for governance](#) that trusts should refer to in determining whether they have skills gaps.

New trusts producing audited accounts for the first time **must** include in their first governance statement what they have done to review and develop their governance structure and the composition of the board.

Subsequently, established trusts should include an annual assessment, including a review of the board's composition in terms of skills, effectiveness, leadership and impact.

Trusts should refer to the features of effective governance in the [Governance Handbook](#) (strategic leadership, accountability, people, structures, compliance and evaluation).

They can also refer to the [20 key questions for the governing board to ask itself](#), and [21 questions for multi-academy trust boards](#) published by the All-Party Parliamentary Group on Education, Governance and Leadership.

External reviews of governance

An objective [independent external review](#) of the effectiveness of the board can be a more powerful diagnostic tool than a self-evaluation. External reviews are particularly important before the board undertakes any significant change - for example before a trust grows significantly, or in cases where concerns around governance arise. The Department's strong preference is that external reviews of governance are also conducted routinely as part of a wider programme of self-assessment and improvement. Reviews should also consider the interaction between members and trustees, including the extent to which members are able to assure themselves that the trustees undertake their duties effectively.

Find out more about:

- the role of trustees in section 5 of the [Governance Handbook](#)
- [academy trust governance: structures and roles](#)
- [DfE school governance update](#)
- Charity Commission guidance [CC3: the essential trustee: what you need to know, what you need to do](#)
- the [automatic disqualification rules](#) for individuals acting as trustees or senior managers in charities
- compliance with [The Education \(Independent School Standards\) Regulations 2014 \(legislation.gov.uk\)](#)
- trustees should also follow the other guidance available from the [Charity Commission](#)
- questions for the board to ask itself about its governance arrangements in the DfE [School resource management self-assessment tool](#)
- external reviews of governance, section 7 of the [Governance Handbook](#)

Finance Committee

206 The Finance/Audit and risk Committee is a sub-committee of the trustees and it meets once per term, or as required by the trustees. No business can be conducted unless a quorum of members with full voting rights is present.

207 The main responsibilities of the Finance Committee are detailed in written terms of reference. These include:

- Initial review and authorisation of the annual budget;
- Approve the financial statements for filing in accordance with Companies Act and Charity Commission requirements
- Responsible to the trustees for ensuring compliance with the Funding Agreement and all relevant financial regulations relating to the Academy are observed
- Oversee capital investment programmes

- Regular monitoring of actual expenditure and income against budget;
- Authorising the purchase of goods and services of value in excess of £20,000 but less than £50,000;
- Reviewing the reports of the Internal Assurance Service on the effectiveness of the financial procedures and controls;
- Authorising the disposal of fixed assets with a value of greater than £10,000;
- Authorising all virements to and within budget headings over £30,000.
- Establish, monitor and review employment policies on behalf of the trustees

Internal Assurance Service

All trusts must deliver internal scrutiny in the way most appropriate to its circumstances.

Options include any combination of:

an in-house internal auditor

a bought-in internal audit service

the appointment of a non-employed trustee

an independent peer review by the chief financial officer from another academy trust

Trusts with an annual revenue income over £50million (based on their last audited accounts) must deliver internal scrutiny using any combination of the following:

an in-house internal auditor

a bought-in internal audit service

To support them in this role the Finance Committee has commissioned a programme of internal assurance testing to be carried out by Clive Owen Accountants, external auditors. The committee receives internal assurance reports after audit testing throughout the year and also after the year end statutory accounts are prepared and audited. This year's assurance audits will take place in January, March and June.. The main duties of the Service are to provide the Board of Directors with independent assurance that:

- the financial responsibilities of the Trustees are being properly discharged
- resources are being managed in an efficient, economical and effective manner
- sound systems of internal financial control are being maintained
- financial considerations are fully taken into account in reaching decisions.

The Chief Executive Officer (The Accounting Officer)

208 The Chief Executive Officer has overall responsibility for the Academy's activities within the framework of the agreed annual and longer term plans. The Chief Executive Officer is deemed to be the Accounting Officer for reporting purposes. The Accounting Officer has personal responsibility (that cannot be delegated) for assuring the Trustees that there is compliance with the Handbook, the Funding Agreement and all relevant aspects of company and charitable law. The accounting officer should be an employee and approval from the DFE must be sought if they are not. Also encouraging larger trusts to consider relevant accountancy qualifications for their CFO, and for all CFOs to maintain professional development

209 Much of the day to day financial responsibility is delegated to the Head Teacher but the CEO retains responsibility for:

- Authorising bonus/honorarium payments to staff as agreed by the Leadership Team as long as cost is affordable based on current budgets and forecasts;
- Authorising the purchase of goods and services of value up to £25,000
- Signing cheques/authorising electronic payments in conjunction with other authorised signatories.
- Approving the virements between and within budget headings of up to £30,000;
- Authorising the disposal of assets up to £10,000 in value.

The accounting officer role includes specific responsibilities for financial matters. It includes a personal responsibility to Parliament, and to DfE's accounting officer, for the trust's financial resources.

Accounting officers **must** be able to assure DfE's accounting officer, Parliament, and the public, of high standards of probity in the management of public funds, particularly [regularity](#), [propriety](#) and [value for money](#).

The following definitions are set out in MPM:

Regularity: the proposed transaction is compliant with the framework of authorities of the department or body concerned. That the transaction under consideration has sufficient legal basis, parliamentary authority, and Treasury authorisation; is compatible with the agreed spending budgets, the wider legal framework (for example subsidy control and procurement law), and the requirements regarding spending set out in this document.

Academy trust handbook 2025: effective from 1 September 2025 - GOV.UK
<https://www.gov.uk/government/publications/academy-trust-handbook/academy-trust-handbook-2025-effective-from-1-september-2025> 27/114

Propriety: the proposal meets high standards of public conduct and relevant Parliamentary control procedures and expectations, including compliance with any conventions or commitments made to Parliament and cross-cutting government policies or standards, as well as the standards of conduct and good governance, as set out in this document.

Value for money: in comparison to alternative proposals or doing nothing, the proposal delivers the stated policy objectives in a way that represents good value for the Exchequer as a whole, taking into consideration the chances of different degrees of success or failure.

Feasibility: the proposal can be implemented accurately, sustainably, and to the intended timetable with the resources available and without incurring wasteful or nugatory spend.

These definitions are not set out in MPM but may be useful:

Economy: reducing the cost of resources used for an activity, while maintaining quality.

Effectiveness: achieving the intended outcomes or objectives.

Efficiency: achieving maximum output for given inputs, or minimum inputs for a given output. Accounting officers **must** adhere to [The 7 principles of public life](#).

The accounting officer **must** have oversight of financial transactions, by:

- ensuring the academy trust's property and assets are under the trustees' control, and measures exist to prevent losses or misuse
- ensuring bank accounts, financial systems and financial records are operated by more than one person
- keeping full and accurate accounting records to support their annual accounts

The accounting officer's annual statement

The accounting officer **must** complete and sign a [statement on regularity, propriety and compliance](#) each year and submit this to DFE with the audited accounts. The accounting officer **must** also demonstrate how the trust has secured value for money via the governance statement in the audited accounts.

The accounting officer's duty to raise concerns

The accounting officer **must** take personal responsibility (which **must not** be delegated) for assuring the board that there is compliance with the funding agreement and handbook.

The accounting officer **must** advise the board in writing if action it is considering is incompatible with the [articles](#), [funding agreement](#) or handbook.

Similarly, the accounting officer **must** advise the board in writing if the board fails to act where required by the funding agreement or handbook. Where the board is minded to proceed, despite the accounting officer's advice, the accounting officer **must** consider the board's reasons and if the accounting officer still considers the action proposed by the board is in breach of the articles, the funding agreement or handbook, the accounting officer **must** notify DFE's accounting officer immediately in writing.

Find out more about the:

- accounting officer role in chapter 3 of Managing Public Money
<https://www.gov.uk/government/publications/managing-public-money>

including further information on the accounting officer's duty to raise concerns and where directions maybe given to them
- consequence of these directions for the governance statement in the accounts as set out in annex 3.1 of Managing Public Money
- Role of the accounting officer – (CST)(<https://cstuk.org.uk/knowledge/guidance-and-policy/the-core-responsibilities-of-a-school-trust-chiefexecutive-officer/>)

The Accounting Officer and the Chief Finance Officer should not be occupied by the same individual.

The Director of finance (The Chief Finance Officer)

210 The Director of Finance works closely with the CEO/Head Teachers through whom she is responsible to the trustees. The accountant is deemed to be the Chief Finance Officer for reporting purposes. The CFO should be an employee and approval from the DFE must be sought if they are not. The CFO also reports directly to the Trustees via the Finance and Audit Committee.

The board **must** appoint a [chief financial officer](#) (CFO), who is (and whose job title may instead be) the trust's finance director, business manager or equivalent, to whom responsibility for the trust's detailed financial procedures is delegated. The CFO should play both a technical and leadership role. The CFO should be employed by the trust, and the trust **must** obtain prior DFE approval if it is proposing, in exceptional circumstances, to appoint a CFO who will not be an employee.

Skills and experience

The CFO and their finance staff **must** be appropriately qualified and/or experienced. Trusts **must** assess whether the CFO, and others holding key financial posts, should have a business or accountancy qualification and hold membership of a relevant professional body, dependent on the risk, scale and complexity of financial operations. DFE encourages larger trusts (for example over 3000 pupils) to consider the range of accountancy qualifications available from professional bodies such as the [ICAEW](#), [ACCA](#), [CIMA](#) or [CIPFA](#) (including CIPFA qualifications developed in partnership with [ISBL](#)), and take this into account when filling CFO vacancies.

CFOs should maintain continuing professional development and undertake relevant ongoing training.

The main responsibilities of the CFO are:

- Day to day management of financial matters including the establishment and operation of suitable accounting and forecasting systems and an asset register;
- Management of the Academy financial resources at a strategic and operational level within the framework of financial controls determined by the Trustees;
- Maintenance of effective systems of internal control;
- Ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records;
- Preparation of monthly management accounts and financial reports;
- Authorising electronic payments in conjunction with other authorised signatories; all cheques over £10,000 to be signed by the CFO\Head Teacher;
- Authorising virements between and within budget headings up to a value of £15,000;
- Authorising the disposal of assets up to a value of £1,000.
- Authorise purchases up to £15,000
- Ensuring that all financial and administrative returns are made, within deadlines, to the DfE and other funders.
- Ensuring that the necessary information for other statutory returns (annual accounts, Charity Commission filings etc.) is provided promptly to the appropriate authorities;

Business managers

The Business managers consist of the 2 business managers, one based at Walbottle Village Primary Academy (WVP) and one at Beech Hill academy (BHP).

The academy trust **must** appoint a governance professional to support the board of trustees who is someone other than a trustee, principal or chief executive of the trust. A governance professional can contribute to the efficient functioning of the board by providing:

- guidance to ensure the board works in compliance with the appropriate legal and regulatory framework, and understands the potential consequences of non-compliance
- independent advice on procedural matters relating to operation of the board
- Administrative and Organisational support, Valour academy employ this services from Newcastle Council.

Other Staff

211 All staff members are responsible for the security of Academy property, for avoiding loss or damage, for ensuring economical and efficient use of resources and for compliance with Academy financial procedures.

Disclosure and Barring Service checks

In complying with the [Independent School Standards](#), and as set out in funding agreements, academy trusts **must** ensure enhanced Disclosure and Barring Service (DBS) certificates are obtained as appropriate for all staff and supply staff.

Similarly all academy trust members, trustees and individuals on any committees including local governing bodies are required to have an enhanced criminal records certificate from the Disclosure and Barring Service (DBS), which does not include a barred list check (unless in addition to their governance duties they also engage in regulated activity

Register of Interests

This will now include all staff, manager level and higher.

212 No-one involved in spending public money may benefit personally from the decisions they make. To avoid misunderstandings, Academy trustees and staff with significant financial or spending powers are required to declare their financial interests in entities from whom the Academy might purchase goods or services.

213 A register of interests should be maintained to ensure that all decision-making bodies are aware of any potential conflicts of interest when awarding contracts or making other financial decisions. All trustees and, Leadership and Business managers will need to fill out the register of interest form on appointment and this exercise should be repeated annually as a minimum.

- 214 The register should include business interests such as directorships, shareholdings or other appointments of influence within any business or organisation which might have dealings with the Academy. Business interests of relatives such as a parent, spouse or child should also be disclosed where influence could be exerted over a trustee or employee by that person.
- 215 The existence of the register does not affect the duty of trustees and staff to declare interests whenever they are relevant to matters being discussed by the trustees, a committee or any other working group within the Academy. Where an interest has been declared, the individual(s) concerned should not attend that part of any committee or other meeting.

Gifts and Hospitality

- 216 All personal gifts and hospitality (above a minimum monetary amount of £25) received by trustees and staff should be declared and recorded. This minimises the risk of staff and trustees being compromised by expectations of reciprocal benefits. The CEO or Head Teacher should be consulted before any such gifts or hospitality is accepted. This is a requirement under the Academy's Staff Code of Conduct.
- 217 The Business managers should enter any receipt of gifts/hospitality into the Register of Gifts and Hospitality and this should be maintained by the Business managers. Gifts received on behalf of the Academy should be entered on the register.

3. Financial Planning

- 301 The Academy must prepare both short-term and medium-term financial plans.
- 302 The medium-term financial plan is prepared as part of the development planning process. The Development Plan indicates how the Academy's educational and other objectives are going to be achieved within the expected level of resources over the next three years.
- 303 The Development Plan provides the framework for the annual budget. The budget is a detailed statement of the expected resources available to the Academy and the planned use of those resources for the following year. The deadline for the budget forecast return is the 31st July 2020.

Development Plan

- 304 The Development Plan is concerned with the aims and objectives of the Academy and how they are to be achieved. This includes matching objectives and targets to the available human and financial resources. Plans should be kept relatively simple and flexible. They provide the broad framework within which more detailed plans may be made.
- 305 Each year the CEO must propose a planning cycle and timetable to the trustees which allows for:

- A review of past activities, aims and objectives - “did we get it right?”
 - Definition or redefinition of aims and objectives – “are the aims still relevant?”
 - Development of the plan and associated budgets – “how do we go forward?”
 - Implementation, monitoring and review of the plan – “who needs to do what by when to make the plan work and keep it on course”;
 - Feedback into the next planning cycle – “what worked successfully and how can we improve?”
- 306 The timetable will specify the deadlines for the completion of each of the stages described above. Responsibility for each part will be assigned by the CEO.
- 307 The Development Plan should include cost estimates, both capital and revenue, associated with each objective and success criteria against which achievement can be measured. The chief finance officer should be fully involved in the development of the plan.
- 308 For each objective the lead responsibility for ensuring progress is made towards that objective will be assigned to an Academy senior team member, who should monitor performance against the success criteria throughout the year, and report on a regular basis – at least quarterly to the CFO. The CFO will report to the trustees if there is a significant divergence from the agreed plan and will recommend an appropriate course of action.

Annual Budget

- 309 The chief finance officer is responsible for the preparation of and obtaining approval for the annual budget. The budget must be approved by the CEO in conjunction with all relevant managers, the Finance Committee and the trustees. The responsibility for setting the priorities for funding, budget-setting and general financial planning lies with the CFO. All significant risks that may impact on the financial viability of the Academy will need to have been recorded, and the financial impact considered and mitigated where possible. To that end, a detailed commentary will need to be provided with any budget submission.
- 310 The approved budget must be submitted to the DfE in line with their annual timetable and the CFO is responsible for establishing a timetable which allows sufficient time for all approvals and submissions.
- 311 The annual budget will estimate the resources available to the Academy for the next year and will show how these are to be used. The Development Plan objectives and the budgeted use of resources should be clearly linked. While the CFO is primarily responsible for the completion of the annual budget, she should work with relevant individuals to ensure that the budget is consistent with and reconcilable to the Development Plan.
- 312 The budgetary planning process shall incorporate the following elements:
- Forecasts of pupil numbers and characteristics to estimate the DfE grants receivable;
 - Review of other income sources to assess likely level of receipts;

- Review of past performance against budgets to make the cost base clear;
- Levels of central spend grant to be passed to the Academy;

313 It is important that any new projects proposed are thoroughly scrutinised and costed to ensure that they are the most appropriate course of action and represent value for money.

Balancing the Budget

314 It is incumbent upon the trustees to only approve annual budgets that do not show an underlying deficit position (i.e. a deficit is only acceptable when resulting from expected use of brought forward figures, such as Start Up funds).

315 Comparison of estimated income and expenditure will identify any potential surplus or shortfall. If shortfalls are identified, opportunities to increase income should be explored and expenditure categories reviewed for areas where savings can be made. This may require projects to be deferred until funding is available. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need. Any carry-overs of GAG funding need to be in compliance with any limits which may be imposed by the Secretary of State).

316 It is not anticipated that the annual budget should show a large surplus of funds over expenditure. Irrespective of the carry-forward calculation, it is not deemed responsible to try and build up significant reserves unless there is a particular project that requires savings to fund it over a number of years. The main exception to this is Start Up funding from the DfE, which is front-loaded and designed to be spent over a period of up to five years. Start Up funding does not count towards the DfE carry-forward calculation.

Communicating the Budget

317 The budget should be communicated to all responsible budget holders so that everyone is aware of overall constraints and their particular responsibilities.

318 The budget should be accompanied by a statement of assumptions and hierarchy of priorities so that if circumstances change, it is simple for all concerned to take remedial action. The budget should be seen as a working document which may need revising throughout the year as circumstances change.

Risk Management

319 An essential part of financial planning is consideration of risks to the Academy. This covers all risks, not merely financial risks, as mitigation of non-financial risks can still have financial consequences. The CFO/business managers should maintain a detailed risk -register. This needs to be updated regularly and considered by the Trustees alongside the annual budget submission. The Finance Committee should have risk management as a standing item on their agenda, and any significant changes to the register should be considered at each meeting.

Debt Write-offs

320 Debt write-offs may be approved for a variety of reasons. The most common reasons include:

- Insufficient legal proof of the debt or liability for the charge;
- The likely expense of legal actions exceeds the likely recovery;
- The debtor cannot be traced;
- The debtor is unable to pay;
- The debt represents the outstanding balance after a final dividend has been paid in cases of bankruptcy or insolvency.

321 Any debt write-off exceeding £1000 in value will need to be approved by the Finance Committee and copied to the Trustees.

322 The financial limit that the Academy may write-off before approval is required by the Secretary of State is 1% of total annual income or £45,000 (whichever is smaller) per single transaction or cumulatively, 5% of total annual income in any one financial year

323 Debt Recovery Policy. Debts in excess of £25 will result in initial contact by letter and then pursued in accordance with the debt recovery policy.

Monitoring and Review

324 Monthly financial reports will be prepared by the CFO and distributed two/three weeks after the end of the month. Management accounts must be shared with the chair of trustees every month and the board must consider these when it meets and be assured that it has appropriate oversight of the trust's financial position.

325 The monthly report will generally take the following format:

- Income and expenditure, actual against budget, for the period and for the year to date, in aggregate and by nominal code;
- A projection of the anticipated end-of-year position;
- An extra report will be available for all budget holders (cost centre holders). This will detail budgeted, actual, committed and available spend to date;
- A variance column ;
- A brief narrative with explanation(s) of any significant deviations from budget;
- An update on significant capital projects in progress;
- Summary of key balance sheet items such as creditors and debtors at month end;
- A summary of the cash position and outlook.
- A copy of the balance sheet (introduced by ESFA from September 2019)
- Financial performance indicators and measure the Trust performance against them

327 If a budget overspend is forecast, it may be appropriate to transfer money from another budget or any contingency.

328 Financial reports should be reviewed by the Finance Committee. Where applicable, corrective measures may be taken to ensure that the authorised budget is not exceeded.

329 Managers must take appropriate action to ensure ongoing viability and if the Board has concerns about financial performance, it should act quickly ensuring the trust has adequate financial skills in place.

330

The School Census

The Academy has to make returns twice a year to the DfE on pupil censuses, these returns will inform the General Annual Grant (GAG) calculation for the following year and so it is vital that the census is as accurate as possible. The process for completion will be overseen by the Head Teacher.

4. Accounting System

401 The system currently in use is PS Financial. All financial transactions must be recorded on the accounting system.

402 The coding structure used by the Academy will be set at the outset of the Academy, but changes can be made if new codes are required due to change in circumstances.

403 It is the responsibility of the Academy Business managers to ensure that all postings to the finance system are done on a timely and accurate basis, and that all required financial checks are carried out on a timely basis by appropriate personnel, such as reconciliations and payroll submissions.

404 It is the responsibility of the CFO, in agreement with the CEO, to identify individual budget holders and set limits for their authorisation. It is the responsibility of the business managers to ensure that all undisputed invoices are paid within 30 days, or within a supplier's terms if different.

405 Accounting policies are set by the trustees. The main policies are:

- Freehold Buildings - Over 50 years
- Freehold Land – Do not depreciate
- Furniture and Equipment - Over 5 Years
- Intangible Asset - 6 years
- Computer Equipment - Over 3-6 years
 - Printers etc - 5 years
 - Installations/Interactive Screens - 6 years

406 The format of accounts complies with the most recent Charities SORP and Companies Act.

System Access

407 The accounting system is password restricted, and passwords should be changed regularly.

408 Access to component parts of the system can also be restricted, and the CFO is responsible for determining appropriate access levels and separation of duties and for ensuring that passwords are changed on a regular basis and at least every three months.

Back-up Procedures

409 The CFO, together with the Local Council IT Team, should ensure that back-up procedures for the system and any other financial records are in place, to minimise the risk of data loss, however PS Financial system is cloud based.

410 The CFO, together with the Local council IT Team, should also prepare a disaster recovery plan in the event of loss of accounting facilities or financial data. This should link in with the annual assessment made by trustees of the major risks to which the Academy is exposed, and the systems that have been put in place to mitigate those risks.

Transaction Processing

411 All entries in the accounting system must be properly authorised. The procedures for running the payroll, the purchase ledger and the sales ledger are included in the following sections of the manual. Journal entries must be documented on an Excel spread sheet and authorised by the CFO before entry into the accounting system. Cash book payments should be entered by the Business Managers, and the input should be checked (and signed to evidence this check) by the CFO.

Transaction Reports

412 The CFO will obtain, and review system reports to ensure that transactions are posted to the accounting system. The report obtained and reviewed will include:

- Monthly audit trail reports
- Management accounts summarising expenditure and income against budget at budget holder level

Reconciliations

413 The CFO and business managers are responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:

- Sales ledger control account;
- Purchase ledger control account;
- Payroll control account;
- Petty cash;
- All suspense accounts; and
- All bank accounts.

414 Any unusual or long outstanding reconciling items must be brought to the attention of the CFO. Cheques uncashed after six months should be written back and reissued if appropriate. The CFO will review and sign all reconciliations as evidence of his or her review. A review of an aged debtors and creditors listing should also be carried out to ensure that long-standing issues are revisited and addressed. Aged Debtor status will be reported to the Finance Committee.

5. Staffing and Payroll

501 The main elements of the payroll system are:

- Staff appointments;
- Payroll administration; and
- Payments.

Staff Appointments

502 The trustees will have approved a staffing structure for the Academy. Additions can only be made to this structure with the express approval in the first instance of the trustees and then the Finance Committee, who must ensure that adequate budgetary provision exists for the increase. Changes to the structure which do not increase the overall budget can be approved by the CEO.

503 A representative of the Trustees will be part of every interview panel and will formally approve each staff appointment. The Academy maintains full personnel files for all members of staff. All personnel changes must be notified promptly in writing to the CFO and the payroll provider notified.

Payroll Administration

504 All staff members are paid monthly, by the last day of each month.

505 The Academy payroll is administered by an external supplier (currently Newcastle County Council).

506 A staff record is held by the business managers for each employee recording:

- Salary, including pay scale and spine point;
- Pension details;
- Part-time hours, including term-time only calculations;
- Bank account details;
- Taxation status;
- Personal details; and
- Any deductions or allowances payable.

- 507 New master records are created by the business managers on instruction from the CEO/Head Teacher. Master file amendments will be notified to the payroll provider and must be authorised by the CFO or by the Head Teacher. This authorisation will be by a manual signature. A copy of this approval will be scanned and e-mailed to the payroll provider, together with the original copy via the post.
- 508 The Admin assistant must complete a monthly staff return showing all sickness and absence and also appointments and departures. The staff return must be authorised by the relevant budget holder. Authorised staff returns go to the CFO/business manager who sends the documents for payroll processing.
- 509 The CFO will provide data to Newcastle County Council each month in accordance with the regular timetable.
- 510 The following is a summary of Newcastle County Council's role:
- a. The Academy will notify NCC of all payroll changes i.e. starters, leavers, overtime, back pay and salary changes;
 - b. NCC have responsibility to check the accuracy of data being supplied by the Academy and will have responsibility for the calculations of pensions, SMP, SSP etc.
 - c. NCC will produce all reports in either PDF or Excel format; and deposit in the secure L drive
 - d. NCC will make all payments by BACs and send all reports to third parties i.e. pension providers, union subs, attachment of earnings orders etc.
 - e. NCC will prepare and file P35s, P60s and provide reports to allow completion of LGPS and TPS returns (including TR17A reports);
 - f. NCC will administer all starter, leaver and amendment forms for the LGPS and TPS.

Payments

- 511 Before payments are made, a print of salary payments by individuals and showing the amount payable in total will be provided by NCC. This report will be reviewed and checked by the CFO or Business manager, either of these will authorise the payroll run with Newcastle City prior to payment into employee's bank accounts. The payroll review will consist of overall 'reasonableness' checks, together with confirmation that monthly variations including starters and leavers have been correctly processed. Any errors found will be raised with NCC. Authorisation to make the payment will then be given to NCC, usually by the Business Manager.
- 512 All salary payments are made by BACS. The payment date is the last working day of the month.

Other Considerations

- 513 NCC will provide a monthly payroll journal to be authorised by the CFO and posted to the nominal ledger by the Business manager. The CFO should review the payroll control account each month after posting to ensure that there are no unallocated balances.

- 514 As a minimum, the business manager should select one employee at random each month and check the calculation of gross to net pay to ensure that the payroll system is operating correctly.
- 515 Once a year, the business manager must check that employee gross pay on the payroll master file matches the contract of employment on the employee personnel file.
- 516 The overall pay structure has been created by the Academy and all appointments should be made in line with that structure. Annual increases within this structure are determined centrally by reference to national agreements.
- 517 The CFO/business manager will ensure that all payments to individuals are processed through the payroll. Where an individual is self-employed or runs their own company, the CFO will ensure that all necessary steps are taken to mitigate any IR35 implications (or other such legislation in this area).

Staff Severance Payments

- 5.14 Non-contractual payments at the end of employment would only be paid if the Academy has concluded that the payment represented the best value for money compared to other options. The business case for such payments would be fully documented and the guidance issued by the EFA will be followed.
- 5.15 The Head Teacher in conjunction with the Chair of the LAB may approve non-contractual payments up to £50,000.
- 5.16 Non-contractual payments over £50,000 require approval in advance from HM Treasury.

6. Expenditure and Procurement

The academy trust

- **Must ensure: spending has been for the purpose intended and there is propriety in the use of public funds, including in relation to any actual or perceived conflicts of interest**
- **spending decisions represent value for money**
- **internal delegation levels are applied**
- **a competitive procurement procedure is in place and incorporated into the trust's financial framework, and the procurement rules and thresholds in the Procurement Act 2023 and its associated regulations**
<https://www.gov.uk/government/collections/procurement-act-2023-guidance-documents> and Find a Tender (<https://www.gov.uk/guidance/public-sectorprocurement>) service are observed
- **appropriate due diligence is in place**
- **professional advice is obtained where appropriate**

Trusts should refer to the Buying for schools: how to buy what you need

<https://www.gov.uk/guidance/buying-procedures-and-procurement-law-for-schools>

601 The Academy wants to achieve the best value for money from all purchases and at all times. This means purchases need to be in the correct quality, quantity and completed within the appropriate timeframe and at the best price possible. Purchases should follow the general principles of:

- Probity - it must be clear that there is no private gain in the Academy's contractual relationships;
- Accountability - the Academy is accountable for its expenditure and the conduct of its affairs;
- Fairness - that all those dealt with by the Academy are dealt with on a fair and equitable basis.

As of September 2024 the academy can now enter into finance leases if the supplier is on the DFE approved list of providers.

Supplier Master File

The supplier master file will be controlled and managed by the CFO. Changes to supplier bank account details are carefully controlled, as the Academy is aware that this is an area that is vulnerable to fraud. Supplier details will not be created or amended until the details have been verified as being valid. Each new or amended supplier bank account/payment details will be documented on a template form; this will document the evidence received and the method of verifying this information. The Finance staff completing the checks will sign the form and this will be verified by the CFO.

Routine Purchasing

602 Budget holders will be informed of their budgets at least one month before the start of the academic year. It is their responsibility to manage the budget and to ensure that the funds available are not overspent. A print detailing actual expenditure (including commitments) against budget will be supplied to each budget holder by the Business managers two weeks after the end of each month.

603 Budget Holders (except for the CEO and CFO) have authority to place orders for budgeted items up to a value of £500.

604 The CFO has authority to approve orders for budgeted and unbudgeted items up to £5,000. Spends over £5,000, but under £25,000 require CFO/Head Teacher authorisation. All orders of a value from £25,000 to £50,000 must be approved by the Finance Committee and over £50,000 by the LAB.

605 All requisitions from budget holders must be made in writing using an official requisition form, stocks of which are held in the Finance Office or available electronically on the network. Requisitions must bear the signature of the budget holder and must be forwarded to the Finance Office, where they will be checked to ensure that adequate budgetary provision exists and place the order.

- 606 Orders that are in compliance with the budget are allocated a reference number and dispatched to the supplier by a member of the Business managers.
- 607 The budget holder must make appropriate arrangements for the delivery of goods to the Academy. On receipt, the budget holder/admin assistant 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.
- 608 If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Finance Office should be notified, and a central record of all goods returned to suppliers will be kept.
- 609 All invoices should be sent to the Finance Office. All invoices need to be authorised by the budget holders before payment procedures are initiated. Invoices are to be authorised according the following principles:
- Department spending up to £500 and within the department budget to be authorised by the Head Teacher and second authorisation from the CFO;
 - Spending up to £5,000 can be authorised by the CFO; and over £5,000 (up to £25,000) by the CEO or the Head Teacher.
- 610 Invoice receipt will be recorded by the business managers on the accounting system. The business managers will complete a proforma and attach it to all invoices against which the following can be evidenced:
- (a) Invoice posted to purchase ledger;
 - (b) Goods/services received as ordered;
 - (c) Invoice authorised for payment by the correct authority;
 - (d) PSF System reference.
- 611 Invoice checks will be completed by the business managers the invoice will then be sent to the budget holder to complete 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 Office. Budget holders should do this within one week of receipt.
- 612 If a budget holder is pursuing a query with a supplier, the Finance Office must be informed of the query and periodically kept up-to-date with progress.
- 613 When the budget holder has completed their checks the invoice should be sent to the Finance Office. At the end of every week, the Business Manager will produce a list of invoices due for payment from the purchase ledger and this list, together with supporting documentation, will then be reviewed by the CFO. The CFO will authorise those invoices which should be paid.
- 614 The Business Manager will then generate a BACS payment file and create a payment run (bank account processes and controls are documented late in this manual)
- 615 **(Non-Order) Purchasing for Contracted Services and Periodical Payments**

There are services which will be provided on a regular basis by outside suppliers but which for practical purpose cannot be processed through the system for payment in the above manner. Nevertheless they are still subject to internal control processes.

Examples of contracted services are insurance and utilities. In the case of these services the terms of the service are negotiated with a supplier and the payment is made against an invoice for which the contract itself forms the basis for agreeing the invoice. All contracts will be let in line with the following requirements and copies of all contract documentation must be filed in a Contracts/SLA Register.

Competitive Purchasing Requirements- Obtaining Value for Money

616 When purchasing all goods and services, budget holders should ensure that they review the use of existing resources and consider the cost, quality, reliability and availability. Established purchasing framework arrangements will be used wherever appropriate, and firm prices must be obtained before commitment to purchase is made.

Orders up to £1,000

617 Value for money should always be considered but no formal competitive quotes are required for spend under £1,000.

Orders over £1,000 but less than £10,000

At least 3 quotations should be obtained, wherever possible. Written or e-mail confirmation of oral quotes is necessary before a purchase commitment is made. Evidence of the quotation sought should be attached to purchase requisitions.

Orders over £10,000 but less than £30,000

618 At least three written formal quotations should be obtained for all orders between £10,000 and £30,000. Quotes should be made on the basis of a clear specification pre-determined by the Academy. Quotes together with the evaluation process applied to the decision to award should be attached to purchase requisitions.

Orders over £30,000

619 All goods/services ordered with a value over £30,000, or for a series of contracts which in total exceed £30,000, must be subject to formal tendering procedures.

620 Orders or contracts with an anticipated value over the EU threshold (Jan 2016 £164,176) may be subject to European Procurement Regulations. In these circumstances the CEO must be contacted before proceeding with the tender.

Forms of Tender

621 There are three forms of tender: open; restricted and negotiated. The circumstances in which each should be used are described below.

- *Open Tender.* This is where all interested suppliers are invited to tender. The budget holder must discuss and agree with the CFO how to advertise 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 avoidance of corruption.
- *Restricted Tender.* This is where specific suppliers are 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 might come forward or the nature of the goods is such that only specific suppliers can be expected to meet the 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

622 Full consideration should be given to:

- The objective of the project;
- Overall requirements;
- Technical skills required to meet the tendering criteria;
- After-sales service requirements;
- Form of contract.

623 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.

Invitation to Tender

624 If a restricted tender is to be used then an invitation to tender must be issued. The Academy would normally request at least four tenders. If an open tender is used an invitation to tender may be issued in response to an initial enquiry.

625 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.

Aspects to consider when evaluating the tender

Financial

- Like should be compared with like and if a lower price means a reduced service or lower quality this must be borne in mind when reaching a decision;
- Care should be taken to ensure that the tender price is the total price and that there are no hidden or extra costs;
- Is there scope for negotiation? If so, the Academy should always aim to achieve best value for money.

Technical/Suitability

- Qualifications of the contractor;
- Relevant experience of the contractor;
- Descriptions of technical and service facilities;
- Certificates of quality/conformity with standards;
- Quality control procedures;
- Details of previous sales and references from past customers.

Other Considerations

- Pre-sales demonstrations;
- After-sales service;
- Financial status of supplier. Suppliers in financial difficulty may have problems completing contracts and in the provision of after sales service. It may be appropriate to have an accountant or similarly qualified person examine audited accounts etc.

Tender Acceptance Procedures

- 626 The invitation to tender should state the date and time by which the completed tender document should be received by the Academy. Tenders should be 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 should not normally be accepted unless there are exceptional circumstances.

Tender Opening Procedures

- 627 All tenders submitted should be opened at the same time. At least two people should be present for the opening of tenders, the CEO and / or CFO and the responsible budget holder.
- 628 A tender register will be held recording all tenders and hold the names of the firms submitting tenders and the amount tendered. This record must be signed by the people present at the tender opening.

Tendering Procedures

- 629 The evaluation process should involve at least two people with no conflicts of interest in the tender.
- 630 Those involved in making a decision must not accept gifts or hospitality from potential suppliers that could compromise or appear to compromise their independence.
- 631 Full records should be kept of each tender evaluation and a report should be prepared and considered in line with purchasing approval limits highlighting the relevant issues and recommending a decision.
- 632 Where required by the conditions attached to a specific grant (e.g. from the DfE), the grantor's approval must be obtained before acceptance of a tender.
- 633 The accepted tender should be the one which offers best value for the Academy and will represent the most economically advantageous tender. The tender evaluation must give sufficient detail and evidence of the decision criteria.

Legal Advice

Legal advice will normally be sought before proceeding with a contract of any significant value. The Academy will consider whether this is necessary and in proportion to the total value/risks attached to the contract.

Non-competitive purchases.

Instances of purchases that do not comply with the competitive purchasing requirements, for reasons such as sole supplier, specialist services etc. will require approval by Finance Committee (applies to purchases below EU threshold only).

7. Income

- 701 The main sources of income for the Academy are:
- Grants from the DfE/LA for general and specific purposes;

- Grants from other Government Agencies or other organisations for specific purposes and programmes;
- Meals income;
- Off-site trip income;
- Bank interest.

DfE Income

- 702 The main recurrent grants from the DfE are paid monthly around the last day of each month.
- 703 Notification of the level of grant is usually received around March in the year before the financial year in question. Some grants, such as Standards Funds and Pupil Premium, are granted on a financial year basis of April to March and are therefore not notified until later in the year. Estimates may therefore be required to meet budgeting deadlines.
- 704 Insurance grants are based on reimbursing actual costs, and therefore should be estimated for budget purposes.

School Meals Income

All school meals payments are collected and controlled through the Admin assistant. The cash is counted and verified by the business manager when handed to the Finance Office. The cash collected is verified independently against the machine control readings. From September 2019 we offer cashless payments by debit/credit cards.

Off-Site Trips

- 705 All off site visits are carefully controlled and approval is required from the CEO/Head Teacher. A Financial Planning form (trip pack) must be completed by the trip co-ordinator and approved by Finance staff. An appropriate person must be appointed to manage payments due from students.
- 706 students should make payments to the finance office (via their teacher or TA). A receipt will be issued when each payment is made.
- 707 The finance office should keep a copy of each trip list showing amounts paid and outstanding. This record should be copied on a regular basis, during the trip collection period, to the trip organiser, who is responsible for chasing outstanding amounts.

Lettings

- 708 The Academy do not let any part of the school

Bank Interest

- 709 The Academy will receive bank interest on all amounts held in their interest bearing account. The ability to generate high levels of interest will however be limited and

mainly only achievable in the first few years of operation when start-up funds are received.

8. Cash Management

Bank Accounts

- 801 The Academy will operate one current account. It is not anticipated that further accounts will be required. The opening of any further accounts must be authorised by the Trustees who must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque-signing arrangements. The operation of systems such as Bankers Automatic Clearing System (BACS) and other means of electronic transfer of funds must also be subject to the same level of control.
- 802 This provision applies to all accounts, public or private, operated by or on behalf of the Trustees of the Academy. Authorised signatories must not sign a cheque relating to goods or services for which they are the recipient.

Deposits

- 803 Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include:
- The amount of the deposit;
 - A reference, such as the number of the sales invoice or receipt or the name of the debtor.

Payment Procedures

- 804 No cheques are issued/used by the Academy.

The Academy also makes electronic payments via the Lloyds link system.

Access to the system is controlled through personal log-ins and key cards, which must be kept secure at all times.

All Lloyd's link payments must be entered and approved in two separate stages. Two of the following staff must authorise each of the stages;

- CFO
- Business Manager

Administration

- 805 The CFO must ensure bank statements are received regularly and reconciled at least monthly. Reconciliation procedures must ensure that:
- All bank accounts are reconciled to the nominal ledger;
 - Reconciliations are prepared by the Business Manager;

- All reconciliations are reviewed by the CFO
- Adjustments arising are dealt with promptly.
- Reconciliations must be signed as evidence of the preparation and review process.

806 Where cheques are in use:

- They must be crossed “account payee only”
- They must not be pre-signed;
- All unused cheques must be retained securely.

Cash Flow Forecasts

807 The CFO is responsible for preparing cash flow forecasts to ensure that the Academy has sufficient funds available to cover its obligations. If significant surplus balances are forecast, steps should be taken to invest the surplus. Similarly appropriate plans should be made in the event of a forecast shortage.

Investments

808 If the Academy is able to generate better returns than currently provided in the current account, it may undertake other investments. Investments may however only be made in accordance with procedures approved by the Trustees

809 Investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated, including the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure that income receivable is actually received.

Petty Cash Accounts

810 The Academy does not hold any petty cash.

811 For security, the key to the safe is secured in a cabinet with a key coded door, the code is known to the business manager, Admin officer and admin assistant.

812 Not used

813 Not used

814 Not used

815 Not used

816 To aid purchases where the best deals do not allow for purchase on invoices (i.e. internet purchases) the Academy is provided with a credit card in the name of the CEO/and business managers. The card has a credit limit of £5,000 (CEO), £4,000 (Business managers Beech Hill) and £3,000 (Business manager Walbottle). Additional cards will require approval of the Finance Committee.

- 817 A full reconciliation should be carried out by the Business Manager on receipt of the monthly statement. The same level of proof of purchase is required as with other payments, so receipts and print-outs of online purchases should be kept and attached to the statement.

Expenses

- 818 With all expenses, proper consideration needs to be given when incurring costs that you wish to be reimbursed. Expenses will only be paid if they are wholly and necessarily for the benefit of the Academy, rather than the individual. Entertainment-related expenditure should therefore be approved before being incurred and should be minimised.
- 819 Wherever possible expenditure should be incurred on the basis that the supplier will invoice the Academy following delivery. The Academy does not deal with petty cash reimbursements. Once any expenditure has been incurred, then the relevant receipts need to be submitted to Finance, along with a completed Expenses Claim Form this will then be authorised and passed to Newcastle Council for payment through salary.
- 820 If the expenditure has been incurred without a cash advance then an Expenses Claim Form needs to be completed and submitted to Finance for reimbursement by NCC, along with the relevant receipts. If receipts are not submitted, or a reasonable explanation for the absence given, then it cannot be taken for granted that the costs will be reimbursed.
- 821 All expense claim forms must be approved by the budget holder, CFO, or Head Teacher. The CEO and Head Teacher's expenses will be approved by the CFO.
- 822 Reimbursements of expenses incurred will usually be made by cheque or BACs.
- 823 Expenses should only be incurred once the expenditure has been approved by the relevant budget holder.

Expenses – Travel and Subsistence

- 824 There will be occasions when staff will need to travel on Academy business. All reasonable expenses incurred whilst on such business will be reimbursed. It is the responsibility of the traveller, however, to ensure that such costs are warranted and minimised.
- 825 For national and international travel, standard class public transport should be used or the best value if first class is available. When the full costs of travel are reimbursed by an outside agency (e.g. NAHT business) first class can be used.

- 826 Private cars may be used if this is more convenient/cost effective, and will be reimbursed at the appropriate rate. The congestion charge may also be reimbursed, if relevant.
- 827 Where overnight accommodation is required, the appropriate expected standard is three star or equivalent. Whilst on Academy business, reasonable living expenses will be reimbursed. This would include all meals, but not alcohol.
- 828 Receipts must be kept to facilitate reimbursement. There can be no guarantee of reimbursement where receipts have not been submitted.
- 829 All travel plans should be agreed in advance with the relevant budget holder.

8. Fixed assets

Purchase of Assets

- 901 All assets purchased with an individual value over £1,000 must be entered in the asset register.

Asset Register

- 902 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;
 - Manage the effective use of assets and plan for their replacement;
 - External auditors to audit the annual accounts and the financial systems;
 - Support insurance claims in the event of fire, theft, vandalism or other mishaps.
- 903 The Asset Register should include the following information:
- Date of acquisition;
 - Description of the asset including serial number or other identifying details;
 - Cost;
 - Expected useful life of asset;
- 904 The Asset Register is to be kept up-to-date and reviewed regularly. At least once a year a physical check should be made that assets exist and have been recorded correctly.

Security of Assets

- 905 All assets on the register should be permanently and visibly marked as Academy property, and there should be a regular (at least annual) count by someone other than the person maintaining the register.

- 906 Discrepancies between the physical count and the register should be investigated promptly and, where significant, reported to the Finance Committee.
- 907 Stores and equipment must be secured by means of physical and other security devices.
- 908 If applicable, items used by the Academy, but not owned by the Academy, should be recorded as such.

Disposals

- 909 Items to be sold or disposed of must be authorised for disposal by the CFO and, where they have significant value, should be sold by competitive tender or auction. If the estimated value of the asset exceeds £1,000, the CFO should obtain the Head Teacher's approval before proceeding. If the value is over £5,000 it must be agreed by the Finance Committee before proceeding and if over £10,000 by the LAB.
- 910 Disposal of equipment to staff is not encouraged, as it may be more difficult to prove that the Academy obtains value for money. In addition, there are complications with the disposal of computer equipment, as the Academy has to ensure that software licences are transferred legally to the new owner.
- 911 The Academy is expected to reinvest proceeds from sales of assets for which capital grant was paid in other Academy assets. If sale proceeds are not reinvested then the Academy must repay a proportion of the sale proceeds to the DfE.
- 912 All disposals of land must be approved in advance by the Local authority.
- 913 The form for seeking approval for the disposal of an asset can be obtained from the CFO.

Loan of Assets

- 914 Academy property may not be removed from the premises without the authority of the Head Teacher. The loan must be recorded in a loan book to be kept by the CFO and the item booked back when it is returned. Equipment will be used for the sole benefit of the Academy and not for personal use. Separate procedures will apply where appropriate (for example mobile phones and equipment used for presentations).
- 915 If assets are loaned for extended periods or frequently to a single member of staff, a 'benefit-in-kind' may arise for PAYE purposes. Loans should therefore be kept under review and discussed where necessary with the Academy's auditors.
- 916 When an employee leaves the Academy, all loaned property must be returned and a receipt given.

Attractive Items Register

- 917 Items which fall under the de-minimise level for capital expenditure (under £1, 000) still represent an investment by the Academy, and in some cases it is desirable to monitor these items in a similar way to capital purchases. In this instance, a register may be used. This details information such as cost, serial number, responsibility and location. This can be used for items such as digital cameras, camcorders, printers etc. that are typically portable and attractive. It is the responsibility of each budget holder to maintain the register if required. A member from each department is allocated responsibility.

Premises

- 918 Damage to Academy premises should be dealt with promptly to avoid further damage and additional costs. It is the responsibility of Site Manager to ensure that the Academy site is maintained to a standard appropriate for the Academy.
- 919 The Academy should have a regular condition survey linked to an asset management plan to ensure that buildings are maintained appropriately and irregular expenditure is budgeted for accordingly.

1200 VAT

- 1201 The Academy has opted to register for VAT and will prepare VAT126 returns on a 3 monthly basis.
- 1202 The Academy shall ensure that VAT is charged on appropriate income and that proper VAT invoices/receipts are issued.
- 1203 The accounting system should reflect within income the amount due net of VAT. VAT charged should be credited to the VAT control account.
- 1204 Where budget holders are placing orders, the value of the order should reflect the net amount due, the VAT element to be reclaimed, and the gross amount to be paid to the supplier.
- 1205 The accounting system should reflect within expenditure the cost net of recoverable VAT. Recoverable VAT should be debited to the VAT control account.
- 1206 It should be ensured that all VAT recovered is supported by an appropriate and valid VAT invoice from the supplier.
- 1207 The Academy shall ensure that VAT is only recovered on appropriate expenditure.
- 1208 The Academy shall ensure that the partial exemption calculation is properly prepared and documented to support each VAT return.
- 1209 The Academy shall ensure that the VAT year end is changed to 31 August and the annual partial exemption calculation is properly prepared, documented and all appropriate adjustments made.

- 1210 The VAT account balance and quarterly VAT return should be reconciled each time a return is prepared and any discrepancies identified and corrected as soon as this become apparent.

1300 Borrowing

General Considerations

- 1301 Any Academy must seek the Secretary of State's approval for both short-term borrowing (including overdraft facilities) and medium/longer-term loans from the private sector (including finance leases), where such borrowing is to be repaid from DCSF grant or secured on assets funded from DCSF grant. However, the Secretary of State's normal policy is that Academies should not be granted permission for medium and long term borrowing.
- 1302 As such, the Academy is unable to use loan financing or similar. An exception to this is credit cards, so long as the Academy ensures the balance is always promptly paid

1400 Year End Procedures

- 1401 Budget holders should be advised against rushing into commitments at year end in order to use up their budgets. The overriding principle at all times should be obtaining value for money, and if that means a delay while the best deal is sought, pushing expenditure into the following year, then this should be followed and accommodated. Ideally, however, expenditure should be planned during the year.
- 1402 The Business managers should operate a purchase order system in order to be able to track commitments and apply expenditure to the year to which it relates.
- 1403 In conjunction with the auditors, the CFO will prepare the statutory accounts. In order to complete this task, a number of schedules are required:
- Aged debtors listing;
 - Aged creditors listing;
 - Fixed Asset Register, also detailing all additions and disposals;
 - Staff numbers in year, FTE by type (teachers, admin and support, projects and management);
 - Prepayments schedule;
 - Accruals schedule;
 - Accrued and deferred income schedules;
 - Year-end bank and petty cash reconciliations;
 - Other income breakdown;
 - Listing of numbers of staff being paid over £60k, in bands of £10k;
 - LGPS/TPS statements;
 - Lease commitments (expiring under 1 year, 1-5 years, over 5 years);
 - Related party transactions listing; (the threshold is £40k from September 2023)

- Capital commitments listing.

1404 The Academy Business managers will be required to aid external auditors as they will visit the Academy as part of their audit of the accounts. These auditors will be appointed by the Trustees. The audited and signed accounts will be filed with the DFE, Companies House and the Charities Commission.

External Liaison

1501 The Academy will have dealings with external bodies such as the DfE, Local Authority and other central government bodies as appropriate.

1502 Where areas of expenditure or actions are required to be passed to the Secretary of State or the DfE for their formal approval or notification, then this should be done by the Head Teacher. The areas that this would cover will include writing off debts and losses and entering into guarantees, indemnities and letters of comfort beyond the limits specified by the Secretary of State (in the Academies Financial Handbook). Trusts will be able to enter in indemnities which are in the normal course of business without seeking approval.

1503 The CFO must notify the Trustees or Finance Committee of such expenditure or actions before commitments are made so that statutory obligations can be met.

1600 Financial Protection and Malpractice

1601 All Academy staff should adhere to the Principles of Ethical Standards in Public Life.

Fraud

1602 All staff have a responsibility to protect the assets of the Academy. As such, the Academy ensures that staff have a mechanism by which to report suspected fraud.

1603 In addition, the management of the Academy must also have the means to investigate such cases. Please refer to the Academy Anti-Fraud, Corruption and Bribery Policy for more details.

1604 The Academy is obliged to report to the DFE all instances of fraud that are over £5000 in value or are 'systematic or unusual' in nature regardless of their value

Whistle Blowing

1605 Whistleblowing inside the work place is the reporting by workers or ex-workers of wrong-doing such as fraud, malpractice, mismanagement, breach of health and safety law or any other illegal or unethical act either on the part of management, the Trustees or by fellow employees. Workers may include, for example, contractors and agency workers

- 1606 The Public Interest Disclosure Act 1998 is designed to protect whistle-blowers from detriment and unfair dismissal. The people protected by the Act include workers, employees, third party contractor staff, agency workers and work experience workers.
- 1607 There is a balance to be struck between the right of the individual member of staff to speak freely on a range of matters and the right of the Academy or colleagues to protect themselves against false and malicious accusations.
- 1608 As such, the Academy has a Whistle Blowing policy which details how concerns about malpractice may properly be raised within the Academy and if necessary, outside the Academy. For more information please refer to the Academy Whistle Blowing Policy, which is available to all staff. The policy gives staff the information for contacts.
- 1609 Students may also have information which should be raised in the public interest and there is a proper procedure in place for them to air their concerns through the student council.

Digital and Technology Standards

Trusts should have an understanding of the extent to which they are meeting DfE's digital and technology standards and be working towards meeting the following 6 cores tandards by 2030:(<https://www.gov.uk/guidance/meeting-digital-and-technologystandards-in-schools-and-colleges/cyber-securitystandards-for-schools-and-colleges>)

Broadband internet

(<https://www.gov.uk/guidance/meeting-digital-and-technologystandards-in-schools-and-colleges/broadband-internet-standards-for-schools-andcolleges>)

Network switching

(<https://www.gov.uk/guidance/meeting-digital-and-technologystandards-in-schools-and-colleges/broadband-internet-standards-for-schools-andcolleges>)

Wireless network

(<https://www.gov.uk/guidance/meeting-digital-and-technologystandards-in-schools-and-colleges/network-switching-standards-for-schools-andcolleges>)

Cyber security

(<https://www.gov.uk/guidance/meeting-digital-and-technologystandards-in-schools-and-colleges/wireless-network-standards-for-schools-and-colleges>)

Filtering and monitoring

(<https://www.gov.uk/guidance/meeting-digital-and-technologystandards-in-schools-and-colleges/cyber-securitystandards-for-schools-and-colleges>)

Digital leadership and governance

(<https://www.gov.uk/guidance/meeting-digital-and-technologystandards-in-schools-and-colleges/digital-leadershipand-governance-standards>)

Cybercrime

Academy trusts **must** also be aware of the risk of cybercrime, put in place proportionate controls and take appropriate action where a cyber security incident has occurred. Trusts should take appropriate action to meet DfE's cyber security standards , which were developed to help them improve their resilience against cyber-attacks.(<https://www.gov.uk/guidance/meeting-digitaland-technology-standards-in-schools-and-colleges/cyber-security-standards-for-schools-and-colleges>)

Trusts **must not** pay any cyber ransom demands. DfE supports the National Crime Agency's recommendation not to encourage, endorse, or condone the payment of ransom demands. Payment of ransoms has no guarantee of restoring access or services and is likely to result in repeat incidents.

Appendix 1

The internal scrutiny rules have been significantly enhanced. The new format as from 1st September 2019 is listed below

Purpose of internal scrutiny

- 3.1 All academy trusts must have a programme of internal scrutiny to provide independent assurance to the board that its financial and other controls, and risk management procedures, are operating effectively.

Approach

- 3.2 Internal scrutiny must focus on:
- evaluating the suitability of, and level of compliance with, financial and other controls. This includes assessing whether procedures are designed effectively and efficiently, and checking transactions to confirm whether agreed procedures have been followed
 - offering advice and insight to the board on how to address weaknesses in financial and other controls, acting as a catalyst for improvement, but without diluting management's responsibility for day to day running of the trust
 - ensuring all categories of risk are being adequately identified, reported and managed.
- 3.3 The trust must identify on a risk-basis (with reference to its risk register) the areas it will review each year, modifying its checks accordingly. For example, this may involve greater scrutiny where procedures or systems have changed.

Working with other assurance providers

- 3.4 Internal scrutiny should take account of output from other assurance procedures to inform the programme of work. For example, it should have regard to recommendations from the trust's external auditors as described in their management letter, and from relevant reviews undertaken by DFE.

Independence and objectivity

- 3.5 Independence in internal scrutiny must be achieved by establishing appropriate reporting lines whereby those carrying out checks report directly to a committee of the board, which in turn provides assurance to the trustees.

Directing internal scrutiny – the audit committee

Requirement for a committee

- 3.6 The academy trust must establish an audit committee, appointed by the board.
- Trusts with an annual income over £50 million must have a dedicated audit committee.
 - Other trusts must either have a dedicated audit committee or can combine it with another committee.
- 3.7 The audit committee should meet at least three times a year.

Remit of the committee in relation to internal scrutiny

The audit committee's role must include directing the trust's programme of internal scrutiny and reporting to the board on the adequacy of the trusts financial and other controls and management of risks.

Membership of the committee

Employees of the trust should not be audit committee members, but the accounting officer and chief financial officer should attend to provide information and participate in discussions.

The chair of trustees should not be chair of the audit committee.

Where the audit committee is combined with another committee, employees should not participate as members when audit matters are discussed.

Operating the committee

The committee must:

- have written terms of reference describing its remit
- agree a programme of work annually to deliver internal scrutiny that provides coverage across the year
- review the risk register to inform the programme of work, ensuring checks are modified as appropriate each year
- agree who will perform the work
- consider reports at each meeting from those carrying out the programme of work
- consider progress in addressing recommendations
- consider outputs from other assurance activities by third parties including DfE financial management and governance reviews, funding audits and investigations
- have access to the external auditor as well as those carrying out internal scrutiny, and consider their quality

3.13 In MATs, the committee's oversight must extend to the financial and other controls and risks at constituent academies.

3.14 Oversight must ensure information submitted to DfE that affects funding, including pupil number returns and funding claims (for both revenue and capital grants) completed by the trust and (for MATs) by constituent academies, is accurate and in compliance with funding criteria. Find out more in HM Treasury's audit committee handbook.

Oversight, support and intervention

Financial support and oversight for academy trusts guidance sets out how DfE will work with trusts to identify, at an early stage, any financial issues that might affect the trust. It sets out the support available to trusts and, where there are concerns, the types of action DfE will take

Intervention powers

Where DfE has concerns about financial management or governance in an academy trust, the department may issue, and publish, an Ntl.

Examples of when an Ntl may be issued on financial management grounds include:

an actual or projected deficit

cash flow problems

insolvency risk

irregular use of public funds

poor internal scrutiny

breaches of related party requirements

Examples of when an Ntl may be issued on governance grounds include:

the trust board not being properly constituted

trustees failing to comply with their safeguarding duties

trustees and the executive failing to manage their school estate and maintain it in a safe working condition strategically and effectively

Recovery of funds

The department may recover funds where there is evidence of irregularity or fraud.

Delivering internal scrutiny

Principles

3.15 Internal scrutiny must:

- be independent and objective – for example it must not be performed by the trust's own accounting officer, chief financial officer or other members of the finance team
- be conducted by someone suitably qualified and experienced and able to draw on technical expertise as required
- be covered by a scheme of work, driven and agreed by the audit committee, and informed by risk
- be timely, with the programme of work spread appropriately over the year so higher risk areas are reviewed in good time
- include regular updates to the audit committee by the person or organisation carrying out the programme of work, incorporating:
 - a report of the work to each audit committee meeting, including recommendations where appropriate to enhance financial and other controls and risk management

- a short annual summary report to the audit committee for each year ended 31 August outlining the areas reviewed, key findings, recommendations and conclusions, to help the committee consider actions and assess year on year progress.

3.16 Whilst the audit committee is responsible for directing the internal scrutiny, the findings must also be made available to all trustees promptly.

Options

3.17 The trust must deliver internal scrutiny in the way most appropriate to its circumstances. Options include:

- employing an in-house internal auditor
- a bought-in internal audit service, under a separate letter of engagement if internal audit and external audit is performed by the same firm
 - the appointment of a non-employed trustee
- a peer review by the chief financial officer, or other member of the finance team, from another academy trust. The trust should satisfy itself that the trust supplying the reviewer has a good standard of financial management and governance and should minute the basis for its decision.

3.18 The trust may combine the above options.

3.19 To ensure those carrying out the programme of work are suitably qualified and/or experienced:

- Internal auditors should be members of a relevant professional body
- Trustees and peer reviewers performing the work should have qualifications in finance, accounting or audit, and appropriate internal audit experience.

3.20 The trust must keep its approach to internal scrutiny under review. If it changes in size, complexity or risk profile, it should consider whether its approach remains suitable.

External reporting and transparency

3.21 The trust must confirm in its governance statement, accompanying its annual accounts, which of the internal scrutiny options it has applied and why. The outcome of the work must also inform the accounting officer's statement of regularity in the annual accounts.

3.22 The trust must submit its annual summary report of the areas reviewed, key findings, recommendations and conclusions (as presented to the audit committee under section 3.15 by the person or organisation carrying out the programme of work) to DFE by 31 December each year

Part 2: Main financial requirements

Basic control principles

2.6 The academy trust must have sound internal control, risk management and assurance processes. This should follow a tiered approach comprising:

- clearly communicated procedures, structures and training of staff
- appropriate day to day supervision and checks by management
- internal scrutiny overseen by an audit and risk committee
- external audit and assurance.
 - **Directing internal scrutiny – the audit and risk committee**

Requirement for a committee

The academy trust **must** establish an audit and risk committee, appointed by the board.

- Trusts with an annual revenue income over £50million (based on their last audited accounts) **must** have a dedicated audit and risk committee.
- Other trusts **must** either have a dedicated audit and risk committee or can combine it with another committee, such as finance.
- The control framework must:
 - ensure delegated financial authorities are complied with
 - maintain appropriate segregation of duties
 - co-ordinate the planning and budgeting process
 - apply discipline in financial management, including managing debtors, creditors, cash flow and monthly bank reconciliations

2.7 plan and oversee capital projects

- manage and oversee assets, and maintain a fixed asset register
- ensure regularity, propriety and value for money in the organisation's activities
- reduce the risk of fraud and theft
- deliver independent checking of controls, systems, transactions and risks. Find out how the trustees must ensure internal control and risk management is scrutinised and operating effectively.

Financial planning

2.8 The board of trustees must:

- ensure that financial plans are prepared and monitored, satisfying itself that the trust remains a going concern and financially sustainable
- take a longer term view of the trust's financial plans consistent with the requirement to submit three-year budget forecasts to DFE
- as part of its management of the trust's funds, have a clear plan for the managing of reserves and explain its policy for holding reserves in its annual report. Information on how the trust must report on reserves is set out in the Accounts Direction.

Setting a budget

2.9 The board of trustees, and any separate committee responsible for finance, must ensure rigour and scrutiny in budget management.

2.10 The board of trustees must approve a balanced budget, and any significant changes to it, for the financial year to 31 August, which can draw on unspent funds brought forward from previous years. The board must minute its approval.

2.11 The board must ensure budget forecasts for the current year and beyond are compiled accurately, based on realistic assumptions including any provision being made to sustain capital assets, and reflect lessons learned from previous years.

2.12 It should challenge pupil number estimates as these underpin revenue projections, and review these termly.

2.13 Boards are encouraged to take an integrated approach to curriculum and financial planning so that they are confident about planning the best curriculum for their pupils and delivering the trust's educational priorities with the funding they have available.

2.14 Boards should refer to DfE's material on improving school resource management including the top 10 planning checks for governors. To help manage capital assets and budgets they should refer to the Good estates management for schools guidance including the organisation self-assessment tool, top 10 estate checks for boards and material on strategic estate management. Find out more to help with financial planning and resource management, including tools for:

- financial benchmarking
- school resource management self-assessment
- school financial efficiency metrics
- Trusts should ensure they are aware of and are applying the following guidance relevant to estates safety and management:
 - advice, standards and tools for academy trusts at Good Estate Management for Schools, including guidance on an estates strategy and asset management plan, and the Estate management competency framework for standards on the skills and knowledge needed for individuals at all levels.
Good estate management for schools , including guidance on an estate's strategy and asset management plan, and the Estate management competency framework (<https://www.gov.uk/guidance/good-estatemangement-for-schools>) (<https://www.gov.uk/guidance/good-estate-managementfor-schools/estate-management-7/7/25>, 8:36 AM Academy trust handbook 2025: effective from 1 September 2025 - GOV.UK <https://www.gov.uk/government/publications/academy-trust-handbook/academy-trust-handbook-2025-effective-from-1-september-2025-21/114-competency-framework>) for standards on the skills and knowledge needed for individuals at all levels
- the Condition Data Collection (CDC) process which helps DfE understand the condition of government funded schools across England for the purposes of targeting funding where it is needed most.
- Reinforced Autoclaved Aerated Concrete (RAAC) guidance. RAAC is a weaker form of concrete used in floors, walls, and roofs of buildings constructed or modified between the 1950s and mid-1990s and could pose a particular risk.

- School Capital Funding guidance, who it's for, current and past allocations, how it's calculated and spending guidance.
- Condition Improvement Fund including links to terms and conditions. Further information and guidance is available from The Trust Network, which is run by trusts for trusts to help its members develop effective, efficient, and economically sustainable estates and safety management.

Sending your budget to DFE

2.15 The academy trust must submit to DFE, in a form specified by DFE:

- An Academies budget forecast return outturn (BFR) by 31st August each year.

2.16 These must be approved by the trustees before submission.

2.17 The board of trustees must notify DFE within 14 calendar days of its meeting if proposing to set a deficit revenue budget for the current financial year, which it cannot address after taking into account unspent funds from previous years, as this would be non-compliant with the funding agreement and this handbook. Find out more about: [submitting your budget returns to DFE](#) [deficit recovery](#)

Monitoring the budget

2.18 The trust must prepare management accounts every month setting out its financial performance and position. Management must take appropriate action to ensure ongoing viability.

2.19 Management accounts must be shared with the chair of trustees every month irrespective of the trust's size, and with the other trustees six times a year, even if they do not meet in each of those months. The board must consider these when it does meet, and minute it.

2.20 The board must ensure appropriate action is being taken to maintain financial viability including addressing variances between the budget and actual income and expenditure.

2.21 The format of monthly management accounts must include an income and expenditure account, variation to budget report, cash flows and balance sheet.

2.22 The trust must select key financial performance indicators and measure its performance against them regularly, including analysis in its annual trustees' report as explained in the Accounts Direction.

2.23 Where the board has concerns about financial performance, it should act quickly ensuring the trust has adequate financial skills in place. Find out more from DFE about: [management accounting and operating as a going concern](#)

Cash management

2.24 The trust must manage its cash position robustly. It must avoid becoming overdrawn on any of its bank accounts so that it does not breach restrictions on borrowing. It may be required to report on its cash position to DFE where there are concerns about financial management.

Investments

2.25 The board of trustees may invest to further the trust's charitable aims, but must ensure investment risk is properly managed. When considering an investment the board must:

- act within its powers to invest as described in its articles
- have an investment policy to manage and track its financial exposure, and ensure value for money
- exercise care and skill in investment decisions, taking advice as appropriate from a professional adviser
- ensure exposure to investment products is tightly controlled so security of funds takes precedence over revenue maximisation
- ensure investment decisions are in the trust's best interests
- review the trust's investments and investment policy regularly.

2.26 The board should follow the Charity Commission's guidance: CC14 Charities and investment matters: A guide for trustees. DfE's approval must be obtained for novel, contentious and/or repercussive investments.

Novel, contentious or repercussive transactions **must** always be referred to DfE for approval, and the request **must** be made to, and approved by, DfE before the transaction is agreed and before the transaction occurs.

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 may cause criticism of the trust by Parliament, the public or the media.

Repercussive transactions are those likely to set a precedent and cause pressure on other trusts or the broader public sector to take a similar approach and hence have wider financial implications, including where a trust's proposal could cause additional costs to arise for other parts of government.