



## Finance, Audit and Risk Committee of the City of London Academies Trust

**Date:** THURSDAY, 4 JULY 2019  
**Time:** 9.00 am  
**Venue:** COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

### SUPPLEMENTARY AGENDA

**5. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

- a) Trust Finance Policies  
Report of the Chief Financial Officer.

Please note: This report has been moved from non-public session (Item 13)

**For Decision**  
(Pages 1 - 50)

**9. CHIEF FINANCIAL OFFICER'S UPDATE**  
Report of the Chief Financial Officer.

**For Decision**  
(Pages 51 - 124)

**11. HEALTH AND SAFETY**  
Report of the Chief Financial Officer.

**For Information**  
(Pages 125 - 126)

**12. RISK REGISTER**  
Report of the Chief Financial Officer.

**For Information**  
(Pages 127 - 132)

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<b>Committee</b>	<b>Date</b>
City of London Academies Trust Finance Audit and Risk Committee	4 July 2019
<b>Subject:</b>	<b>Public</b>
Trust Finance Policies	
<b>Report of:</b>	<b>For Approval</b>
Claire Hersey, CFO	
FOR PUBLICATION	
<b>Summary</b>  In July 2018 the Board of Trustees approved a suite of key finance policies ensuring they were appropriate for the Trust's operations and to provide consistency across the Trust where possible. These policies should be reviewed every year to ensure they remain appropriate for the Trust's current operations.	

## Recommendations

The Committee members are asked to recommend the following updated policies to the Trust Board for formal approval at their meeting on 11 July 2019.

- Finance Policy
- Procurement and Tendering Policy
- Gifts and Hospitality policy
- Charging and Remissions policy
- Reserves policy
- Investment policy

## **Main Report**

### **Overview**

In July 2018 the Board of Trustees approved a suite of key finance policies ensuring they were appropriate for the Trust's operations and to provide consistency across the Trust where possible. These policies should be reviewed every year to ensure they remain appropriate for the Trust's current operations.

The key finance policies have been reviewed and updated and the updated policies, all attached as appendices to this paper, provide Trust-wide guidance and procedures to ensure consistency across all the academies. The updates are highlighted in the documents, but the changes are very minimal as the Academies Financial Handbook has not yet been updated for 2019 and the changes to the new Academies Accounts Direction do not have any significant impact on finance policies.

The documents have been written with the aim of providing policies only (i.e. what should be done) at a Trust level so that processes and procedures (i.e. how it should be done) can be determined locally according to the needs, resources and structure in each of the individual academies.

### **Appendices**

- 1 – Updated Finance Policy
- 2 – Updated Procurement and Tendering Policy
- 3 – Updated Gifts and Hospitality Policy
- 4 – Updated Charging and Remissions Policy
- 5 – Reserves Policy
- 6 – Updated Investment Policy
- 7 – Summary of the key changes in the 2019 Academies Accounts Direction



## CITY OF LONDON ACADEMIES TRUST

### FINANCE POLICY

Responsibility:	Chief Financial Officer
Updated:	July 2019
Approved by Board:	5 July 2017 Reviewed 18 July 2018

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DRAFT

## 1. INTRODUCTION

- 1.1 The purpose of this policy is to ensure that the City of London Academies Trust (CoLAT or the Trust) maintains and develops systems of financial control which conform to the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of our funding agreements with the Department for Education (DfE).
- 1.2 The Trust must comply with the principles of financial control outlined in the academies guidance published by the DfE, most notably the current **Academies Financial Handbook**.
- 1.3 This policy should be read in conjunction with the following other Trust policies:
- a. Pay Policy
  - b. Investment policy
  - c. Reserves policy
  - d. Procurement and Tendering policy
  - e. Charging and remissions policy
  - f. Whistleblowing policy
  - g. Scheme of Delegation
  - h. Gifts and Hospitality

## 2. ORGANISATION, ROLES AND RESPONSIBILITIES

- 2.1 The Trustees have defined the responsibilities of each person involved in the administration of the Trust finances. These are laid out in the funding agreements between the Trust and the DfE, the Trust's Scheme of Delegation and the Terms of Reference of:
- the Board of Trustees;
  - the Local Governing Body of each Academy; and
  - the subcommittees within each Academy.
- 2.2 Members of the Trust Board, members of the Local Governing Bodies and subcommittees and Management across the Trust and each of the Academies will have regard to: -
- The current Education and Skills Funding Authority (ESFA) Academies Financial Handbook
  - Minimum standards of financial management as set out in the DfE/Master Funding Agreement
  - Advice and guidance relating to the financial performance of the Trust arising from the work of Ofsted, internal audit and external audit providers, and other interested parties.
- 2.3 The Trust believes that staff should be able to raise concerns properly, in confidence and without prejudice to their personal position. Where appropriate, this will include an opportunity to raise concerns outside the line management structure, in accordance with the Trust's **Whistleblowing Policy**.
- 2.4 The Chief Executive Officer of the Trust is the Trust's Accounting Officer as defined by the current Academies Financial Handbook and will fulfill the role and responsibilities as defined in the Handbook.

- 2.5 The Chief Financial Officer (CFO) of the Trust is the Trust's Chief Financial Officer as defined by the current Academies Financial Handbook and will fulfill the role and responsibilities as defined in the Handbook.
- 2.6 Each Academy must have a designated Head of Finance who is responsible for the finance function within the Academy. This role will be fulfilled by the CFO for the central MAT team.

### **Separation of Duties**

- 2.7 In order to reduce the risk of error or intentional manipulation, the roles and responsibilities of members of staff with finance responsibilities in each Academy and in the central MAT team will be structured to ensure the separation of those responsibilities or duties which would, if combined, enable one individual to record and process a complete transaction.
- 2.8 Wherever possible the following duties will be separated:-
- authorisation – of a transaction such as a purchase order or payment;
  - execution – the placing of an order, receiving of goods and services;
  - custody – the holding of goods and services;
  - recording – the completion of accounting records.

### **Staffing of the Finance Functions**

- 2.9 The appointment of staff should be made with due regard to the qualifications and capabilities commensurate with their duties. Inevitably, the proper functioning of any system depends on the competence and integrity of those operating it. The qualifications, experience and personal qualities of those involved with financial arrangements are important features of an effective control system.
- 2.10 Consequently, each Academy and the central MAT team should establish procedures to ensure that: -
- Personnel are competent, suitably qualified and trained to perform at a level commensurate with their responsibilities;
  - Training needs and opportunities for staff, particularly for those with financial responsibilities, are reviewed on a regular basis;
  - Clear statements of criteria for personnel selection and formal job descriptions are maintained;
  - Finance staffing levels are adequate; and
  - There are effective arrangements in place to deal with the absence of key financial personnel to ensure the effective operation of the finance function and to ensure that financial control is maintained.

### **Human Resources and Payroll**

- 2.11 Each Academy and the central MAT team will, where possible, allocate duties to ensure that an appropriate division of duties exists in the area of completing, checking and authorising of all documents and claims relating to appointment and termination of employment, employment expenses and the processing and authorisation of the payroll.



- 2.12 Payroll transactions will be processed only through the approved payroll system. Payments for employment will not be made to staff or visiting lecturers etc. through any other mechanism. Each Academy and the Central MAT team must ensure it has procedures in place to meet the monthly payroll timetable and deadlines so that employees are paid accurately and on time, and the costs are recorded in the accounting system on a timely and accurate basis.
- 2.13 All salary payments are made by BACS.

### **3. BUDGET MANAGEMENT PROCEDURES**

#### **Accounting System**

- 3.1 All financial transactions must be recorded in each Academy's Accounting System. This must include:
- System access
    - a. Entry to the system is password restricted and the Head of Finance must ensure a system is in place for passwords to be changed regularly.
    - b. Each user of the system must have only an appropriate level of access within the system as determined by the Head of Finance in the Academy.
  - Effective back-up procedures and a disaster recovery plan in place
  - Appropriate authorisation of all transactions, as determined by the Head of Finance in each Academy
  - Regular review of appropriate reports from the system to ensure accurate recording of transactions and to identify any irregular postings.
- Financial Planning Process**
- 3.2 Each Academy and the Central MAT team must produce a detailed budget for each academic year, along with budgets for at least the following 2 years, in accordance with the Trust's reporting timetable. The projections should include both revenue and capital funds, income from all sources and all planned expenditure. The budget should also show the planned use of any reserves brought forward. The format of the budget will be agreed between the CFO and the Academy's Head of Finance.
- 3.3 The budget must support the Academy's and the Trust's priorities for raising standards and attainment.
- 3.4 Each Academy's Improvement Plan for raising education outcomes, its curriculum and its budget need to be closely linked so that the Academy can weigh up whether it has enough funds to pay for the activities that it believes are necessary to achieve its education objectives. Also, it will be easier to show value for money if objectives within the plan have been achieved within the budgetary constraints.
- 3.5 The budget for each Academy and the Central MAT team must be approved in accordance with the Terms of Reference of the Local Governing Body and the Trust Board.
- 3.6 The consolidated Trust budget must be approved by the Trust Board and submitted to the ESFA in July each year in accordance with the ESFA's reporting timetable. The CFO and Heads of Finance in each of the Academies must work together to establish a timetable for local and central approvals of

the budget so that the ESFA submission deadline can be met.

### **Budget Monitoring during the financial year**

- 3.7 Each Academy will prepare a monthly budget monitoring report for review by its Local Governing Body or relevant subcommittee in accordance with the relevant Terms of Reference. The format and content of this report will be determined locally. The report must show a comparison of expenditure and income to the approved budget. Expenditure and income should be broken down into those sums actually spent, sums already committed and the amounts of expenditure and income which are planned but to which the Academy is not yet committed. The report should show, as accurately as possible, the forecast year end position. The report should also include relevant key financial performance indicators. These KPIs should be determined locally at the beginning of the financial year and reported each month.
- 3.8 Each Academy must also prepare a balance sheet and 12-month cash flow forecast each month for review by its Local Governing Body or relevant subcommittee in accordance with the relevant Terms of Reference. The format and content of this report will be determined locally.
- 3.9 Each Academy will also prepare and submit a monthly budget monitoring report, balance sheet and 12-month cash flow forecast to the Central MAT finance team. The form and content of these reports will be agreed between the CFO and the Academy's Head of Finance.
- 3.10 The central MAT team will prepare a Trust-wide budget monitoring report, balance sheet and 12-month cash flow forecast each month to be shared with the board of Trustees. The latest of these reports will also be submitted to each of the Trust's Finance, Audit and Risk Committee meetings during the financial year. The form and content of these reports will be agreed between the CFO and the Chair of Trustees. These reports should also include relevant key financial performance indicators. These KPIs should be determined by the Trustees at the beginning of the financial year and reported each month.
- 3.11 The consolidated Trust Budget Forecast Outturn Return (BFRO) must be approved by the Trust Board and submitted to the ESFA in May each year in accordance with the ESFA's reporting timetable. The CFO and Heads of Finance in each of the Academies must work together to establish a timetable for local and central approvals of the BFRO so that the ESFA submission deadline can be met.

### **Financial Review Meetings**

- 3.12 Each year each Academy will be required to attend a Financial Scrutiny/Review Meeting. These meetings will involve the Headteacher/Principal, Chair of Local Governing Body/Finance subcommittee and Head of Finance of each Academy presenting key financial documents to the Chief Financial Officer, the Chief Executive and the Chair of CoLAT Finance, Audit and Risk Committee.
- 3.13 CoLAT audit takes place in November each year so it is important that the financial scrutiny check happens prior to the audit procedure and following the ESFA funding letter and budgeting process. For this reason it is proposed that this would happen in June/July each year.
- 3.14 The academy will be required to present an analysis of financial risk incorporating the following documentation:

- A projected budget out-turn for the current financial year
- A detailed 3-year budget forecast for the following three years with a summary of key assumptions
- A 12-month (Sept-Aug) cash flow forecast for the following financial year
- A breakdown of current reserves and a summary of the forecast reserves position over the next 3 years with an explanation of proposed use
- A 5-year capital plan summarizing key areas of spend and how funded
- The current risk register for the Academy
- A report on investments held and the performance of those investments
- A brief bench-marking report

### **Value Added Tax (VAT)**

- 3.15 Under DfE regulations for Academies, VAT can be recovered on all expenditure, revenue and capital where VAT has been charged by the provider of the goods or service. Likewise, Academies must levy VAT on income if appropriate.
- 3.16 All transactions, expenditure and income, must be appropriately coded to the correct VAT rate when entered into the accounting system. This is essential to ensure that Input VAT (expenditure) can be offset to Output VAT (income) on a monthly VAT report to be submitted to the HMRC.

## **4. VALUE FOR MONEY, PURCHASING AND PAYMENTS**

- 4.1 The Board of Trustees recognises the principles of Value for Money and aims to achieve best value for money from all its purchases.
- 4.2 The Head of Finance in each Academy and the Central MAT team must ensure that all purchases (revenue and capital) are made in accordance with:
- The current Academies Financial Handbook
  - The Trust's Scheme of Delegation
  - The Trust's Procurement and Tendering Policy
  - The Terms of Reference of the Local Governing Body and its subcommittees
  - Locally approved levels/limits of authority in place at the Academy (Appendix A)
- 4.3 The Register of Business Interests should be formally referred to prior to the acceptance of quotations or the awarding of contracts.
- 4.4 The procedures for revenue and capital purchasing (to include delegating budgets to budget holders, raising orders for goods and services, processing invoices and credit notes and payment of suppliers) will be defined locally at each Academy ensuring appropriate levels of authority, required approvals and segregation of duties, and accurate recording of all transactions including accruals and commitments. In all cases where purchases are being made using Restricted Funds of any sort, the expenditure must not include alcohol.
- 4.5 Any new goods or services purchased from a related party must be declared to the ESFA using the related party transactions online form. Prior approval must be sought from the ESFA when

- a single contract or agreement with a related party exceeds £20,000
- a contract or agreement of any value means the total value of contracts or agreements with the same related party exceeds £20,000 in a financial year

## **Goods and Services for Private Use**

**4.44.6** The Trust will avoid practices such as obtaining goods and services that may include an element of private use for Trustees, members of LGBs and subcommittees or staff. Trustees, members of LGBs and subcommittees and staff will also avoid accepting excessive hospitality, entertainment, or other services from existing or prospective suppliers.

## **5. INCOME AND SUNDRY DEBTORS**

### **General Income Matters**

- 5.1 The Head of Finance in each Academy and the Central MAT team is responsible for the correct accounting of all income due to, and cash collected by, the Academy. Where possible, the Head of Finance will ensure that the responsibility for determining sums due to the Academy is separated from the responsibility for collecting and banking such sums.
- 5.2 The procedures for managing income will be defined locally at each Academy ensuring appropriate levels of authority, required approvals and segregation of duties, and accurate recording of all transactions including debtors and accrued income.
- 5.3 Where invoices are to be raised, the Academy will do so promptly using authorised Academy invoices. The invoice will clearly detail the service or goods provided, the settlement date and the payment required.
- 5.4 Where cash is collected, whether it is due to a fund provided by the ESFA, fund raising or donations, or an unofficial fund, a receipt will be issued. In agreed circumstances such as when collecting monies for an activity for a group of pupils, Cash Collection listings will be used and a single receipt given for the group income. The receipt books will be those approved by the Academy and include VAT, where appropriate.
- 5.5 Cash and cheques collected will be kept secure until the time of banking. Income collected will be banked in its entirety as promptly as possible and will not be used to cash personal cheques or for other payments (other than the official Petty Cash).
- 5.6 Sums received will be reconciled to the sums banked and to the accounting system to ensure that sums banked to the individual Academy and/or Trust bank account are attributed to the correct entity.

### **Debt monitoring and Debt recovery**

- 5.7 All debts will be monitored at regular monthly intervals, via an "Aged Debtor report" in the accounting system or an appropriate manual record. The procedures for managing and chasing debts will be defined locally at each Academy.

## Bad Debt Write Off

5.8 All debts, regardless of age, should still be attempted to be collected, and will remain as a bad debt until it is written off.

5.9 Any write off of bad debts must be in accordance with:

- The current Academies Financial Handbook
- The Trust's Scheme of Delegation
- The Terms of Reference of the Local Governing Body and its subcommittees
- Locally approved levels/limits of authority in place at the Academy

5.10 Any debts written off must be reported to the Trust CFO.

## **6. BANKING ARRANGEMENTS**

### **Opening of Bank accounts**

- 6.1 The opening of all bank accounts must be authorised by the Trust Board on receipt of a summary of the arrangements covering the operation of the account and who the signatories will be.
- 6.2 The operation of systems such as Bankers AutoTruStic Clearing System (BACS) and other means of electronic transfer of funds should also be subject to the same level of control.
- 6.3 No bank account should become overdrawn since Academies are prohibited from borrowing in this way.
- 6.4 The procedures for managing and handling cash (to include processing and authorisation of BACS and cheque payments, management/checking of bank reconciliations, petty cash procedures and use of 'cashless' systems such as ParentPay) will be defined locally at each Academy ensuring appropriate levels of authority, required approvals and segregation of duties, adequate security of all cash, and accurate recording of all transactions.

### **Payments and Withdrawals**

- 6.5 There must be robust controls over all ways in which funds may be drawn from accounts, including such operations as standing orders, direct debit mandates, BACS payments and salary payments.
- 6.6 Mandates must be held by the Trust's bankers detailing the arrangements above together with clear instructions that the Trust's bank accounts must not become overdrawn.
- 6.7 The Controls must exist over electronic withdrawals and electronic transfer of funds, including BACS and direct banking links such as telephone banking or computer banking e.g. for payroll purposes or the investment of surplus funds or other transfers of funds between accounts.
- 6.8 Cancelled cheques should be defaced and retained.
- 6.9 If payments are to be made by BACS transfer, the Academy must ensure that the details of the

receiving bank account are correct and that there are controls in place to guarantee the accuracy and authenticity of the transaction.

### **Reconciliation of Bank Accounts**

6.10 At each Academy and in the Central MAT team, bank statements must be reviewed, thoroughly checked and formally reconciled to the accounting system at least monthly. The reconciliation report must be retained on file with each Bank Statement, and printouts of outstanding debits and credits should be attached to the reconciliations.

6.11 Un-presented cheques over 6 months old should be written off.

### **Cash flow forecasts**

6.12 The Head of Finance in each Academy and the Central MAT team is responsible for reviewing the cash balances and preparing cash flow forecasts to ensure that there are sufficient funds available to pay for day to day operations. If significant balances can be foreseen, steps should be taken to invest the surplus funds. Similarly plans should be made to cover potential cash shortages.

## **7. SECURITY OF ASSETS**

### **Letting of Trust Premises**

7.1 The letting of Trust Premises and Grounds should always be subject to a formal contract, even when the Hirer or User is connected to the Trust. A detailed **Lettings Policy** together with charges should be approved locally at each Academy.

### **Insurance**

7.2 The Trust will opt in to the Risk Protection Arrangement (RPA) for Academy Trusts with each Academy insuring any additional risks not covered by the RPA independently with a commercial insurer if required.

7.3 The Head of Finance of each Academy will review the insurance needs of their Academy annually and liaise with the Central MAT team where appropriate to ensure that specific arrangements remain appropriate.

7.4 The Local Governing Body of each Academy will periodically consider whether to insure risks that are not covered by the RPA. The cost of premiums for any additional cover should be met from the Academy's delegated budget.

7.5 The Head of Finance of each Academy will be responsible for ensuring that the Local Governing Body are made aware of all new risks, and all incidents which may give rise to an insurance claim (e.g. accident, theft etc.).

7.6 Any potential or actual insurance claims should be reported immediately by an Academy to the insurers, their Local Governing Body and the Trust CFO.

## **Computer Systems**

- 7.7 The Board of Trustees recognise the importance of protecting computerised financial management systems and the data held therein. The CFO will ensure that the Trust is registered in accordance with the Data Protection Act 2018.
- 7.8 The Head of Finance in each Academy and the Central MAT team will ensure that effective backup procedures are in place and that all back-up disks or tapes are stored securely.
- 7.9 Access to Trust and Academy management computer systems will be limited to authorised staff. These staff will use passwords which should not be disclosed and should be changed regularly. Only authorised software will be used to prevent the import of computer viruses. Staff will only have access to those modules appropriate to their duties.
- 7.10 Each Academy will have an appropriate IT user policy in place and agreements in place for both staff and pupils using the computer systems.

## **Security of Stocks and Other Property**

- 7.11 The Head of Finance in each Academy is responsible for the care and custody of all assets within the Academy and will ensure procedures are in place for the maintenance and proper security for all buildings, vehicles, plant, stocks, stores, furniture, equipment, keys and cash.
- 7.12 The Head of Finance in each Academy will ensure that a register of assets / inventory is maintained in accordance with the provisions of the current Academies Financial Handbook. Inventories will be checked as appropriate and any discrepancy shall be investigated.
- 7.13 An inventory should: -
- form an important part of the Academy's procedures for ensuring that staff take responsibility for the safe custody of assets;
  - enable Academy management to undertake independent checks on the safe custody of assets, as a deterrent against theft or misuse;
  - help the Academy to manage the effective utilisation of its assets and to plan for their replacement;
  - support insurance claims in the event of fire, theft or other losses.
- 7.14 The CFO will advise the Head of Finance in each Academy on the Asset Management reporting required by the ESFA, and the financial accounting of asset depreciation.

## **8. GENERAL**

### **Register of Business Interests**

- 8.1 The Board of Trustees, members of Local Governing Bodies and subcommittees and Trust staff all have a responsibility to avoid any conflict between their business and personal interests and affairs and interests of the Trust. A Register of Business Interests will be maintained for Board Members, Local Governing Bodies and subcommittees and staff with an influence over spending decisions.

- 8.2 Each register will include all business interests such as directorships, share-holdings and other appointments of influence within a business or other organisation, which may have dealings with the Trust. The disclosures should also include business interests of relatives and other individuals who may exert influence.
- 8.3 The Clerk to the Board, on behalf of the Board of Trustees must maintain a register of pecuniary / business interest forms for each member of the Board of Trustees and the CEO recording business interests. The register must be kept up to date with notification of changes and through a recommended annual review of entries. The Board of Trustees will ensure that all members of staff are aware of the responsibilities for declaring any links or personal interests which they have with regard to contractors and suppliers. The Head of Finance in each Academy will maintain, in a suitable form, a record of the details of those members of staff who declare any links or personal interests which they have with contractors and suppliers.

#### **Gifts and Hospitality Register**

- 8.4 The gift and receipt of gifts and hospitality is addressed in the Trust's Gifts and Hospitality policy.
- 8.5 A register will be maintained by the Head of Finance in each Academy to record all particulars of gifts and hospitality.



**APPENDIX A - LOCAL LEVELS OF AUTHORITY FOR PURCHASING**

[FOR DECISION AND APPROVAL BY LOCAL GOVERNING BODIES]

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## PROCUREMENT AND TENDERING POLICY

Responsibility:	Chief Financial Officer
Updated:	<del>May 2017</del> <u>July 2019</u>
Approved by Board:	5 July 2017 Reviewed 18 July 2018
<del>Next Review Date:</del>	<del>July 2019</del>

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## 1 INTRODUCTION

This policy applies to the City of London Academies Trust ("the MAT", or "the Trust").

The Trust is required to comply with the current [Academies Financial Handbook](#), Funding Agreements with the Department for Education (DfE), any DfE guidance including academy procurement resources and the [Public Contracts Regulations 2006](#) (the Regulations). Under the Trust's Funding Agreements and as a registered charity, the board of trustees has specific obligations to ensure value for money.

It is important to note that the Trust is the sole legal entity which can enter into contracts for itself and any of its academies. The academies themselves are not separate legal entities and any contracts awarded by individual academies will be binding on the Trust. All spend is recorded by the Trust to comply with DfE audit requirements.

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

- Finance Policy
- Scheme of Delegation
- Gifts and Hospitality

## 2 BASIC PRINCIPLES

This policy applies to any contract for services or supplies which results in a payment being made by the Trust or an academy.

The basic principle is that procurement must deliver value for money to the Trust.

All bidders in a competition ("Bidders") should be treated in a way which ensures equality of treatment, non-discrimination and transparency.

All Bidders must be given the same information at the same time, and no Bidder should be treated more favorably than another;

There must be clear and transparent timescales, requirements, specifications and deadlines to comply with any competition.

### **Who can buy?**

Although budgets are delegated to individual academies, not all employees of the Trust can buy for the Trust. The procedures for revenue and capital purchasing (to include delegating budgets to budget holders, raising orders for goods and services, processing invoices and credit notes and payment of suppliers) will be defined locally at each Academy ensuring appropriate levels of authority, required approvals and segregation of duties, and accurate recording of all transactions including accruals and commitments.

### **Exemptions to this document**

This document must be followed in all but exceptional circumstances.

Some types of arrangements fall outside of the procurement rules, such as employment contracts. This may also include some types of Special Education Needs provision, but this should be checked with the Trust Chief Financial Officer (CFO) for clarification as required.

Any exemptions should only be relied upon with express written consent from the CFO and the Trust Chief Executive Officer (CEO). The CFO should be consulted if there is any uncertainty about any procurement, and before any orders are placed or contracts signed on behalf of the Trust.

### **Actions before purchase**

Whenever practical, for spends above £10,000, checks should be made with the other academies in the Trust to establish whether they have a need for a similar purchase. If so, then the 'spend' must be included within the same contract.

Consider how the purchase is going to be sourced. Can the Trust use an existing framework agreement (see below), or can another academy meet the requirement?

As set out below, wherever possible and if suitable, existing framework agreements (particularly for high value contracts) should be used, in preference to a new procurement exercise.

As a minimum requirement, you must have a written specification or requirement statement setting out clearly what you want to buy. This means establishing in advance what you want the goods, or services to deliver, together with the quantity, maximum cost and delivery / completion requirements.

### **Using existing framework arrangements**

Wherever possible and in accordance with the current Academies Financial Handbook and DfE policy, the Trust should avoid running its own procurement processes, and instead use an existing framework arrangement.

From time to time the Trust may also set up its own framework agreements which can be used by all academies. Such frameworks will be notified to academies from time to time.

### **Where can I find a framework?**

Check with the following organisations to see if there is an existing contract /framework agreement for the goods or service you want to buy:

[Crown Commercial Service \(CCS\)](#)

[The Crescent Purchasing Consortium \(CPC\)](#)

[Pro5](#)

[ESPO](#)

[YPO](#)

[There may also be other frameworks available which are suitable for academies. The CFO should be consulted before using a framework provided by an organization not listed above.](#)

Registration with some of these organisations may be necessary, but this is a simple process. More information can be found on the DfE website:

In each case, it is important that:

- The Trust is entitled to call off from the arrangement. You should check in each case:
- The specification and the contract terms are suitable for your particular needs. The terms and conditions from frameworks are generally set in advance and cannot be changed beyond the mechanism set out in the framework

The framework's guidance must be followed, particularly about how orders should be placed. This will either generally permit (a) direct awards of contracts to a supplier and/or (b) mini competitions between all suppliers with capacity to deliver the requirement on the framework.

### 3 APPROVAL LIMITS

Different rules apply depending on the value of the purchase you want to make.

The Trust's current spend thresholds are set out below.

Value of spend (exclusive of VAT)	Which rules apply?	Tender Process Required for Academies	Tender process Required for Central MAT function
Up to £2,500	Low Value	Best Value principles applied	
£2,501 to £5,000	Low Value	Minimum 2 written quotations	
£5,001 to £10,000	Low Value	Minimum 3 written quotations	
£10,001 to £50,000	Medium Value	Business Case with minimum 3 written quotations. Approval process determined by Terms of reference of Local Governing Body and its subcommittees	Business Case with minimum 3 written quotations. Approved by CEO.
£50,001 to £100,000	High Value	Formal tender process. Approval process determined by Terms of reference of Local Governing Body and its subcommittees.	Formal tender process led by CFO. Recommendation presented to MAT Board of Trustees for approval of spend.

Over £100,000 up to OJEU thresholds	High Value	Formal tender process approved by Local Governing Body with additional approval from MAT Board of Trustees.	Formal tender process led by C F O . Recommendation presented to MAT Board of Trustees for approval of spend.
Over OJEU threshold	Full OJEU tender process with recommendation presented to MAT Board of Trustees for approval of spend.		

### Valuing your contract

It is important that contracts are properly assessed for value. In particular, you must not deliberately divide one contract into smaller contracts with the effect of avoiding the procurement rules.

The contract value is based on the total value of the 'spend' over the life of the contract which is the subject of the procurement. The requirements of all academies should be combined into one procurement if they are the same or similar.

If you do not know what your exact spend is going to be over the life of the contract, you must take an average annual spend and multiply by the estimated duration of the contract.

The estimated duration of the contract must include any extensions or options to renew.

#### Low Value transactions (up to £2,500)

For all transactions of a similar type with a total value of up to and including £2,500 exclusive of VAT, competitive quotes are not needed and the best value approach should be taken.

Academies must follow their own purchasing rules, and comply with their own budget delegation and segregation of duties requirements.

#### Low Value transactions £2,501-£5,000

For transactions between £2,501 and £5,000 for Goods and Services at least 2 written quotations should be obtained; the Head of Finance in the Academy will then compare prices and options. A Best Value Form should be completed.

#### Low Value transactions £5,001-£10,000

For transactions between £5,001 and £10,000 for Goods and Services, at least 3 written quotations should be obtained; the Head of Finance will then compare prices and options. A Best Value Form should be completed

#### Medium Value transactions from £10,001 up to £50,000

For medium value transactions, a business case and three written quotes must be submitted for the purchase approval.



The business case must include as minimum:

- Detailed Specification of Requirements;
- Benefits to the organisation and best value for money;
- Reason for the choice of preferred supplier; and
- The outcome of the evaluation process.

For Low and Medium Value transactions an Academy may seek approval for a contract or purchase with a lower number of quotes/tenders than specified in the policy in the following circumstances:

- a) where it has not been practicable to obtain the required number of quotations, e.g. because one or more suppliers have refused to quote
- b) where specialist expertise or products are required and are only available from a very limited number of suppliers
- c) works, supplies or services are urgently needed for the immediate protection of property or to maintain the immediate functioning of the school
- d) a funding/grant provider has specifically stipulated that a particular supplier be used for the procurement of goods and services to complete the project.

However, in instances a, b or c for Medium Value transactions a minimum of two written quotes/tenders must still be obtained. In ALL four circumstances, the reasons for seeking approval with a lower number of quotes/tenders must be fully documented as part of the approval process.

#### **High Value transactions £50,001 to OJEU Thresholds**

High value transactions will be subject to a business case and formal tender process as described below.

## **4 FORMAL TENDER PROCESS**

### **FORMS OF TENDER**

There are four forms of tender procedure and the circumstances in which each procedure should be used are described below.

**Open Tender:** This is where all potential suppliers are invited to tender. The budget holder must discuss and agree with the Head of Finance how best to advertise for suppliers e.g. general press, trade journals or to identify all potential suppliers and contact directly if practical.

This is the preferred method of tendering, as it is most conducive to competition and the propriety of public funds.

**Restricted Tender:** This is where suppliers are specifically invited to tender. Restricted tenders are appropriate where:

- there is a need to maintain a balance between the contract value and administrative costs
- a large number of suppliers would come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the Trust's or Academy's requirements
- the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering

**Competitive Dialogue Process** is an exceptional procedure and should only be used where the contracting authority wishes to award a particularly complex contract. A particularly complex contract means a contract where the contracting authority is not objectively able to:-

- define 'the technical means' in terms of a British, European or international standards or technical specifications; and/or in relation to the performance or functional requirements ; or
- specify the legal and/or financial make-up of a project.

**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
- continuation with the existing supplier is justified

## **PREPARATION FOR TENDER**

Prior to embarking on a procurement exercise consideration should be given to the criteria by which tenders will be assessed. These may include financial aspects (ensuring full costs are considered), technical performance, supplier reputation, experience and other value added aspects. Each of the criteria can be weighted appropriately in the light of the importance attached to those particular aspects.

Full consideration should be given to:

- objective of project
- overall requirements
- Best value for money
- Benefits to the academy (financial/non-financial)
- Detailed specification of the requirement
- Technical skills required
- Market testing
- After sales service requirements
- Form of contract.

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

## **INVITATION TO TENDER**

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

An invitation to tender should include the following:

- introduction/background to the project
- scope and objectives of the project
- technical requirements

- implementation of the project
- terms and conditions of tender
- form of response

Bidders requesting more information must be sent a tender pack. This should contain a covering letter outlining the tendering process and instructions, the requirement and needs, together with any additional information required from the bidders. This will need to be bespoke in each case but could include, for example:

- details of pricing;
- details of method statements;
- details of product characteristics;
- the evaluation criteria which will be used to evaluate the tenders received, including disclosure of the criteria, sub criteria and weightings that will be applied to select the best Bidder(s); and
- a draft set of contract terms and conditions.

## **TENDER ACCEPTANCE PROCEDURES**

The invitation to tender should state the date and time by which the completed tender document should be received by the Academy/Trust. 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 may be provided in hard copy, on CD ROM or via email. In the case of hard copies and CD ROMs, they must bear no external markings to identify the tenderer.

Tenders received after the submission deadline can be declined.

## **TENDER OPENING PROCEDURES**

All tenders submitted should be opened at the same time and the tender details should be recorded. Two persons should ideally be present for the opening of tenders and should include the Head of Finance.

A separate record should be established to record the names of the firms submitting tenders and the amount tendered. This record must be signed by the people present at the tender opening.

## **TENDER EVALUATION AND DECISION**

When evaluating tenders consideration should be given to:

**Cost** - Care should be taken to ensure that competing suppliers have quoted for the same service. Where discrepancies arise, suppliers should be contacted to amend their quotes where necessary to ensure a fair comparison between suppliers. There may be scope for negotiation on cost if a particular supplier is preferred for quality/suitability reasons, but is not the cheapest.

**Quality/Suitability** - Due regard should be given to the qualifications and experience of the contractor, and the quality and suitability of the goods/services offered. Where necessary, references should be sought from other customers.

The evaluation process should involve at least two people. Those involved should disclose all interests, business and otherwise, that might impact upon their objectivity. If there is a potential

conflict of interest then that person must withdraw from the tendering process.

Those involved in making a decision must take care not to accept gifts or hospitality from potential suppliers that could compromise or be seen to compromise their independence.

Full records should be kept of all criteria used for evaluation, and a one page summary report prepared for approval by the relevant party, summarising the options and giving a recommendation.

Where required by the conditions attached to a specific grant from the DfE, the department's approval must be obtained before the acceptance of a tender.

The accepted tender should be the one that is most economically advantageous.

## **AUDIT TRAIL**

A clear audit trail must be kept for all purchases. The level of detail required will increase with the value of the procurement. The written record must include:

- who was responsible for making the decision to procure, and details of their decision making process;
- full minutes of any meetings at which the procurement was discussed;
- who was responsible for evaluation of tenders, and details of the evaluation, if applicable;
- who was responsible for receiving and checking the goods or services and for authorising and making payment;
- details of the purchase itself, for example, what was purchased, from whom and for what price; and
- be available to the Accounting Officer at all times for audit purposes as required.

In each case, the written record must include copies of all original documentation used during the procurement such as tender packs, quotations, contracts and invoices.

## **TENDERING FOR MAJOR CONTRACTS VIA THE OFFICIAL JOURNAL OF THE EUROPEAN UNION (OJEU)**

In rare circumstances the Trust or an individual Academy may tender for supplies where the value exceeds the EU procurement threshold. For tenders above this threshold, the Trust would be required to either tender for the work via an EU compliant purchasing consortium, or by inviting tenders on the OJEU website. In both cases the principals above remain, but when advertising directly with OJEU, there are certain additional procedures which need to be followed.

The Trust must first register as a buyer on the OJEU website. A tender specification can then be uploaded, giving a minimum time of 52 days in which to respond. Once all tenders have been received and evaluated, and a decision made at by the Trust, a "decision notice" or "standstill letter" must be issued to all candidates, giving the following information:

- the award criteria used
- reasons for the decision including the characteristics and relative advantages of the successful tender
- the scores obtained by the recipient of the letter and the successful contractor
- a statement of when the standstill period is to end. If the letter is sent by electronic means, this

period will be 10 days

Once the standstill period has ended, the contract can be awarded officially. A contract award notice must be issued in the OJEU within 48 days of the award of the contract.

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## APPENDIX 1 – BEST VALUE FORM FOR LOW VALUE COSTS

Detailed overview of goods and/or services required			
Existing Alternatives within the Trust			
Why needed and benefits to the Trust			
Anticipated cost			
Summary of quotes received	1	2	3
Supplier			
Cost			
Comments			
Reason for choice if not cheapest (include separate page if required)			
Prepared by:	Signed:	Date:	
Approved by:	Signed:	Date:	
Approved by:	Signed:	Date:	

*Please attach copies of all quotes*



## GIFTS AND HOSPITALITY POLICY

Responsibility:	Chief Financial Officer
Updated:	<del>May 2017</del> <u>July 2019</u>
Approved by Board:	5 July 2017 Reviewed 18 July 2018
<del>Next Review Date:</del>	<del>July 2019</del>

This Gifts and Hospitality Policy is intended to assist all relevant persons in following the various Academy guidance and relevant legislation on the giving and receipt of hospitality or gifts

The policy covers both the receipt and delivery of hospitality and gifts to:

- Employees of the Trust
- Trustees
- Members of the Local Governing Bodies (LGBs) or subcommittees of any of the Academies in the Trust

The term 'gifts' is deemed to include:

- Goods provided for personal or other private use
- Personal services
- Loans of equipment, vehicles etc for personal use
- The provision of goods and/or services at preferential cost (including loans of money) for personal or other private use.

The term 'hospitality' is deemed to include the offer or receipt of:

- Food and drink
- Travel
- Accommodation
- Entertainment

### **Legal Framework & National Guidance**

#### **Prevention of Corruption in the Public Sector**

Under the Prevention of Corruption Acts, 1906 and 1916, it is an offence for employees corruptly to accept any gifts or consideration as an inducement or reward for,

- Doing, or refraining from doing, anything in their official capacity or
- Showing favour or disfavour to any person in their official capacity

Under the 1916 Act, any money, gift or consideration received by an employee in public service from a person or organisation holding or seeking to obtain a contract will be deemed to have been received corruptly unless the employee proves to the contrary.

### **General Principles**

The City of London Academies Trust is responsible for ensuring the guidelines are brought to the attention of all employees, trustees and members of LGBs, and that a framework is put in place to ensure they are effectively implemented.

It is the responsibility of staff, trustees and members of LGBs and subcommittees to ensure that they are not placed in a position which risks, or appears to risk, conflict between their private interests and their duties at the Trust or any individual Academy. This applies to both those who commit resources directly (e.g. the ordering of goods or services), or indirectly (e.g. by policy development).

Each employee, trustee and member of a LGB or subcommittee has a personal responsibility to declare hospitality and gifts in accordance with the policy. Non-compliance with the policy by a member of staff may lead to action under the Disciplinary or other relevant policy. Staff also need to



be aware that a breach of the provisions under legislation may make them liable to prosecution and may also lead to loss of employment and pension rights.

Any hospitality or trivial gifts accepted should be entered on a Gifts and Hospitality Register maintained by the Head of Finance in the relevant Academy.

## **Receipt of Hospitality**

### *General Principles*

Gifts, hospitality or benefits of any kind from a third party perceived as compromising personal judgement or integrity should not be accepted. Employees, trustees and members of LGBs or subcommittees must ensure that they do not use their official position to further their private interests or those of others. In relation to this, all forms of private interests in relation to the Trust or any Academy must be declared. Purchasing decisions and contract negotiations must be based solely on achieving the best value for money for the tax payer.

Any hospitality accepted of a value exceeding £10 should be recorded on the Gifts and Hospitality Register.

### *Exceptional Cases*

It is recognised that there are exceptional cases where refusal of a gift will clearly offend a donor, cause embarrassment or appear discourteous. In these cases, the donor should be advised that the permission of the Trust or Academy management will have to be sought as to whether or not the gift can be accepted. Decisions will then be taken by the Trust or Academy management on whether to

- allow the recipient to accept the gift; or
- return the gift to the donor with a suitably worded letter explaining why the gift cannot be accepted; or
- use or dispose of it, if possible, in or by the Trust or the Academy.

## **Provision of Hospitality**

The provision of hospitality by employees, trustees or members of LGBs or subcommittees to representatives of other organisations should be modest and appropriate in the circumstances.

Provision of hospitality by the Trust or any Academy to employees or others would not normally be appropriate except in the case of working lunches in the course of meetings, training courses or workshops.

The use of Trust monies for hospitality and entertainment at conferences and seminars should be carefully considered. The Trust and each Academy needs to be able to demonstrate good value in incurring public expenditure.

In all cases where hospitality is provided ~~using Restricted Funds~~, the hospitality must not include alcohol.

Note that where individuals have accepted hospitality from another organisation, for example, in order to fulfil a speaking engagement this should be of a value equivalent to that normally provided by the Trust, and there is no further entitlement to claim expenses from the Trust or any Academy.

### *Hospitality and meetings*

Hospitality must be secondary to the purpose of the meeting and the level must be appropriate and in proportion to the event. The costs involved must not exceed the level which the recipients would normally adopt when paying for themselves at such an event or that which could be reciprocated by the Trust or an Academy.

### **Business - gifts**

#### *Acceptance of gifts*

Employees, trustees and members of LGBs or subcommittees should not accept gifts which may be, or are capable of being, construed as influencing a purchasing decision or casting doubt on the integrity of such decisions.

Personal gifts offered by parents and students to members of staff, for example, at holiday or end of term times, should be recorded on the Gifts and Hospitality Register if the estimated value is in excess of £10.

In certain instances, for example, where a class contributes collectively, gifts greater than a value of £10 up to a maximum value of £250 may be accepted but must be recorded on the Gifts and Hospitality Register.

Commercial or corporate business gifts and donations made to the Trust or any individual Academy, other than items of very small intrinsic value, should be reported separately to the Head of Finance at the Academy.

Presents and donations to an Academy or a Department therein should be reported and added to the register.

All gifts (other than items of very small intrinsic value) or hospitality received shall be acknowledged in writing and a copy of that acknowledgement shall be held on file by the Head of Finance at the Academy.

#### *Giving of gifts*

Charitable donations should not be given by any member of staff, trustee, LGB member of subcommittee member, on behalf of the Trust or any individual Academy. Alcohol should not be given by any member of staff, trustee, LGB member of subcommittee member, on behalf of the Trust or any individual Academy.

#### *Monetary gifts*

The acceptance or giving of cash is not acceptable in any circumstances.

### **Records of Hospitality and Gifts**

All gifts and hospitality must be recorded on the Gifts and Hospitality Register held by the Head of Finance in each Academy. When in doubt employees, trustees and members of LGBs or subcommittees are advised to record any matters concerning gifts and hospitality which may be covered by this policy to ensure that an individual does not expose themselves to risk.

The information required for the hospitality and gifts register is set out below

- date of entry

- name of recipient / provider
- job title
- nature and purpose of hospitality or gift received or provided
- action taken, accepted/refused /returned
- estimated value

Submissions should be made as soon as is practically possible.

The Hospitality register will be available to the External Auditors.

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## City of London Academies Trust

### Charging and Remissions Policy

<b>Aims:</b>	<ul style="list-style-type: none"> <li>To provide free education for all pupils/students in compliance with the relevant regulatory requirements</li> <li>To supplement the core teaching activity with a broad variety of learning experiences</li> <li>To provide the basis for requesting a fair level of charges where appropriate to cover the costs of specific activities or trips/visits</li> <li>To ensure that all pupils/students are given the opportunity to benefit from such learning experiences and are not restricted on financial grounds</li> </ul> <p><i>This will be achieved by:</i></p> <ul style="list-style-type: none"> <li>Providing access to a broad and rich learning experience for all pupils/students regardless of their family financial circumstances</li> <li>Utilising appropriate parental/carer contributions received to maximise the range of learning experiences on offer to the pupils/students</li> <li>Providing a clear and transparent system for seeking contributions from parents/carers</li> </ul>
<b>Targets/Outcomes</b>	<ul style="list-style-type: none"> <li>To receive a contribution towards the cost of providing non-core activities where appropriate from those families who are able</li> <li>Information on regular specific activities and charges will be made available to parents/carers. Parents/carers will be advised of charges for ad hoc trips and visits as they occur</li> <li>Parents/carers who receive income support will be eligible for exemption from charges where reasonable, as determined by the Principal/Headteacher</li> <li>Parents/carers are not obliged to contribute to specific activities, but should be aware that on occasions, such events may have to be cancelled if they are not financially viable</li> <li>The basis for any charges levied will be clear and transparent</li> <li>The Trust will not seek to generate a profit from such learning related activities</li> </ul>
<b>Definition:</b>	<ul style="list-style-type: none"> <li>Charging and Remissions is the process whereby the Trust and each individual Academy states the way in which it will deal with the cost of providing supplemental learning activities which fall outside of the core legal requirement</li> </ul>
<b>Roles and Responsibilities:</b>	
<b>Pupils/students will:</b>	<ul style="list-style-type: none"> <li>Be encouraged to participate in a variety of realistic additional learning experiences, irrespective of their families' ability to meet the financial cost</li> </ul>
<b>All staff will:</b>	<ul style="list-style-type: none"> <li>Actively seek to provide and support a range of realistic additional learning experiences to all their pupils/students</li> <li>Communicate the contribution required to participate in such programmes and manage the collection of parental/carer contributions</li> <li>Deal sensitively with parents/carers who may not wish to pay or be able to pay for trips or activities</li> <li>Based upon the level of charges and remissions, determine whether the activity in question is able to proceed</li> </ul>
<b>Parents and carers will:</b>	<ul style="list-style-type: none"> <li>Be aware of and adhere to the statement of standard charges that is provided to them</li> <li>Inform the Academy promptly if they are unable or do not wish to contribute to a trip or event. In the case of family hardship, parents/carers may apply in confidence to the Principal/Headteacher for exemption</li> <li>Support the Trust and individual Academy in looking to provide an appropriate level of experiences for their children, understanding that some events must be financially viable</li> </ul>
<b>The SLT in each Academy will:</b>	<ul style="list-style-type: none"> <li>Consider cases of family hardship</li> <li>Implement, monitor and review the policy with governors</li> </ul>
<b>Related Docs</b>	For each individual Academy: Family-Academy Agreement, Statement of charges, <b>Charging and remission procedures</b>

	<b>Responsibility</b>	<b>Approved by Board:</b>	<b>Last review</b>	<b>Review By:</b>
	CFO	5 July 2017	18 July 2018	Staff, Parents/Carers, Governors

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## **RESERVES POLICY**

Responsibility:	Chief Financial Officer
Approved by Board:	13 December 2018

## **Background**

Maintaining an appropriate level of financial reserves is considered essential in protecting the Trust and each individual academy from financial risk generated by, for example;

- income reduction due to Government funding changes
- unexpected falls in pupil/student numbers
- cash flow issues due to delays in receipt of funding
- emergencies

In general it is considered prudent to maintain a level of useable reserves sufficient to cover unexpected and unplanned events. At the same time, the Trust wishes to ensure that funding is used actively to benefit the pupils/students in each of the academies and so use available reserves to enhance educational provision.

## **Reserves of the whole multi-academy trust**

Each year the Trustees will review the reserve levels of each Academy and the Trust as a whole during the reporting period and in the annual audited financial statements to ensure that a prudent level of reserves is maintained. This review will encompass the nature of income and expenditure streams, the need to match income with commitments, and the nature of reserves and will take in to account:

- two month's salary bill
- each Academy's annual budget
- the need for any large project spend such as facilities development or building condition needs
- any uncertainty, turbulence or expected reduction in funding arrangements
- anticipated funding over the next three years.

The Trustees have determined that the appropriate level of desired free reserves for the whole Trust should be equivalent to two month's operational expenditure (excluding the fixed assets fund) where possible, with the Trust aiming for a minimum required level equivalent to one month's operational expenditure. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants.

## **Reserves of each individual academy**

Each year the Local Governing Body in each Academy will review the reserve levels of the Academy during the reporting period to ensure that a prudent level of reserves is maintained. This review will encompass the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves and will take in to account:

- two month's salary bill
- the Academy's annual budget
- the need for any large project spend such as facilities development or building condition needs
- any uncertainty, turbulence or expected reduction in funding arrangements



- anticipated funding over the next three years.

The Trustees have determined that the appropriate level of desired free reserves for each individual academy should be equivalent to two month's operational expenditure (excluding the fixed assets fund) where possible, with each academy aiming for a minimum required level equivalent to one month's operational expenditure as described above.

### **Use of reserves**

Each academy will retain its own surplus or deficit generated each financial year and the allocation and use of reserves held by each academy will be for its local governing body to determine, subject to:

- The requirements of the Trust's Finance Policy and Procurement and Tendering Policy;
- Exceptional needs of other academies within the Trust;
- The Trust Scheme of Delegation; and
- Approval of the whole Trust budget and Trust annual audited financial statements by the Board of Trustees.

### ***Exceptional needs of other academies within the Trust***

In exceptional circumstances the Trustees may approve the transfer of reserves and/or cash balances from one academy to another to meet operational or capital requirements. Any transfer will be subject to the submission of a full business case to the Board of Trustees for formal approval to include:

- Value of reserves and/or cash to be transferred to another academy
- Details of why a transfer is required and why the issues were not reasonably anticipated and managed by the academy in need
- If the transfer is to support an academy in deficit; a deficit recovery plan illustrating how the academy will re-establish a surplus position, with a timescale, and how the reserves/cash will be repaid to the donor academy
- Confirmation that the transfer will not create operational difficulties for the donor academy.

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## **INVESTMENT POLICY**

Responsibility:	Chief Financial Officer
Updated:	July 2019
Approved by Board:	5 July 2017 Reviewed 18 July 2018

## **Purpose and scope**

The purpose of this Investment Policy is to set out the processes by which the Trustees will meet their duties under the Trust's Articles of Association and current Academies Financial Handbook issued by the ESFA to invest monies surplus to operational requirements in furtherance of the Trust's charitable aims and to ensure that investment risk is properly and prudently managed.

## **Objectives**

The investment objectives are:

- to achieve best financial return available whilst ensuring that security of deposits takes precedence over revenue maximisation.
- To only invest funds surplus to operational need based on all financial commitments being met without any of the Trust's bank accounts becoming overdrawn.
- By complying with this policy, all investment decisions should be exercised with care and skill and consequently be in the best interests of the Trust, commanding broad public support.

## **Investment strategy**

Each academy will make its own investment decisions in accordance with:

- The Trust Scheme of Delegation
- The requirements of this Investment Policy
- The Trust Finance Policy and Procurement and Tendering Policy
- The terms of reference of the Academy's Local Governing Body and its subcommittees

Investment risk will be managed through asset class selection and diversification to ensure that security of deposits takes precedence over revenue maximisation. The Trust's policy is to invest funds in risk-free and immediately accessible deposit accounts with the Trust's banking provider. If sufficient reserves are available an Academy may seek to invest in other low-risk accounts subject to approval by the Trust's Finance, Audit and Risk Committee. Investments for a fixed term should not normally exceed one year in order to provide flexibility for the following year's plans, unless a clear rationale is provided for exceeding one year to the benefit of the Academy and the Trust.

Decisions on how much to invest and how long to invest for will be based on operational requirements, demonstrated by cash flow forecasts produced by the Academy's Head of Finance. Each Academy should aim to have a balance in its current account to be at least sufficient to meet two months' worth of expenditure and a sufficient balance must be held in the current account so that the Academy's financial commitments can always be met without the bank account going overdrawn. The size of the balance will be determined by a forecast of future need and kept under review.

The Head of Finance will periodically (at least annually) review interest rates and compare with other investment opportunities to determine whether it is appropriate to invest funds with other providers for specified periods up to 12 months

## **Monitoring and review**

The Head of Finance will monitor the Academy's cash position and cash flow forecast and report investments held and the performance of investments against objectives to the Local Governing Body (or relevant subcommittee) at appropriate intervals, depending on the terms of the investments. For example if investments are held one year then an annual report is appropriate. A report on investments held and investment performance will also form part of the annual Financial Scrutiny Meetings for each Academy.

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## Academies Accounts Direction 2018 to 2019

Once again there have not been a significant number of changes in the AAD, but the new requirements and other subtle clarifications are welcome and should help consistency and understanding of financial reporting requirements for academy trusts.

The Education and Skills Funding Agency (ESFA) have published the Academies Accounts Direction (AAD) 2018 to 2019, which is the guidance pack for academy trusts and their auditors to use when preparing their annual reports and financial statements for accounting periods ending on 31 August 2019, or for trusts preparing short period cessation accounts beginning 1 September 2018.

The AAD contains a summary of the main changes – and there are relatively few in this latest edition – however, we have once again produced our own summary of these changes along with our commentary and views on the implications, drawn from our extensive sector knowledge and experience.

### What has changed?

The main changes academy trustees and finance staff need to be aware of are:

**Presenting the model annual report and accounts and the regularity reporting section as annexes to the document rather than within the document [Annex A; Annex B]**

#### UHY commentary

This really is a presentational change, with the model accounts moved away from the main guidance, which makes sense.

**Removing the requirement to include dates of payments made regarding non-statutory/non-contractual staff severance payments [note 10b, S7.5]**

#### UHY commentary

This information seemed superfluous as it is collected in the Academy Accounts Return (AAR) in any case, so this is a welcome minor slimming down of the disclosure requirements.

**Removing the table in the funds note which showed current year and prior year 12 months combined position as this is not required [note 19]**

#### UHY commentary

This requirement was only introduced in last year's AAD in order to comply with the Charity SORP on which the AAD is based. The key benefit of the combined funds statement was the ironing out of fluctuations that can occur between two periods, however, following the publication of the AAD 2018 to 2019 the ESFA quickly agreed that the omission of this two year funds note would not cause them any problems, and in our experience most academy trusts opted to simply show the current and prior year fund statements and excluded the combined statement.



Previously it has been acceptable for the subsidiary to 'accrue' the gift aid payment within the financial statements at the company's year-end. The new rules mean that no such gift aid accrual is permitted unless a legal obligation is in place.

Including the requirement that a copy of the annual report and financial statements must be sent to every member of the company and to every person who is entitled to receive notice of general meetings [S1.6.3]

### UHY commentary

We often receive questions over the approval process and the annual general meeting (AGM). The annual financial statements should be approved by the board of directors or trustees, usually in December, before the 31 December ESFA filing deadline.

The financial statements are then 'ratified' by the academy trust's members at the AGM, but this is really a formality and is akin to what happens when the shareholders of a large commercial company attend an AGM.

Section 1.6.3 of the AAD has been expanded to make it clear that all members must receive a copy of the annual report and financial statements. This is standard practice for companies in accordance with the Companies Act 2006 but the inclusion of this in the AAD indicates some Trusts have not been performing this duty.

**Referencing SORP Update Bulletin 2 section 3 covering income recognition for donations to academy trusts from subsidiary trading companies, clarifying income is only to be accrued where there is a legal obligation to make the payment [S5.1.19]**

### UHY commentary

We are increasingly seeing academy trusts form trading subsidiary companies through which they channel trading activities. Despite the additional administration and cost of operating the second company the benefits such as keeping riskier trading activities outside the charitable trust and tax advantages make this an attractive option.

Usually any profits generated by the subsidiary company are gift aided to the academy trust, mitigating the corporation tax liability that would otherwise arise.

Gift aid donations paid within nine months of the accounting period end are eligible for tax relief, and previously it has been acceptable for the subsidiary to 'accrue' the gift aid payment within the subsidiary's financial statements at the company's year-end even though the payment was to be made some time after the year-end.

The new rules mean that no such gift aid accrual is permitted unless a legal obligation, such as a formal Deed of Covenant, is in place. It is not sufficient to simply document the board decision to pay profits.

This change of accounting treatment alters the timing of recognition of the gift aid payment and means that academy trust subsidiary companies are likely to report profits. The tax position is not affected, however.

Although the AAD 2018 to 2019 refers to this change the new rules only become effective for accounting periods commencing on or after 1 January 2019, making this change non-mandatory for academy trusts until their 31 August 2020 accounts, although at that point a prior year adjustment would be required. Early application is permitted, however, and the ESFA are perhaps encouraging academy trusts to adopt the new rules during 2018/19 by referencing the change in this year's AAD.



The TPS employer contributions will increase to 23.6% from September 2019. The narrative included in the TPS element of the pension note will need to reflect this rather than the wording included in the model accounts.



Revising the categories of tangible fixed assets to align these with the Sector Annual Report and Accounts, noting that if any category does not apply it can be omitted [note 14]

#### UHY commentary

The model accounts now list a number of additional fixed asset categories compared to previous editions. There are now eight separate categories, which means for any trust with most of these categories the fixed asset note will only really fit on a landscape page.

The new categories which were not specifically required under the previous edition were motor vehicles, computer equipment and leasehold improvements. There would be an argument that any categories which are not material could be amalgamated together, if preferred.

Including the requirement to disclose the prior year position as a comparative for agency arrangements [note 32] and events after the reporting period [note 37]; disclose comparative with an update where relevant for contingent liabilities [note 28] and that comparatives could be disclosed if helpful to the reader for guarantees, letters of comfort and indemnities [note 27]

#### UHY commentary

The specific requirement for agency arrangements does make it explicitly clear this is required, although in our experience this disclosure was included by most trusts anyway. The need to disclose prior year information for contingent liabilities and post balance sheet events will be new because non-financial information comparatives are not generally included as standard.

Clarifying the pensions note that Parliament guarantee regarding LGPS liability relates to academy trusts not individual academies. The TPS element has been updated to reflect that revised employer contribution rates are expected to be payable from 1 September 2019 [note 30]

#### UHY commentary

It has recently been confirmed that the TPS employer contributions will increase to the rumoured 23.6% from September 2019 and so the narrative included in the TPS element of the pension note will need to reflect this rather than the wording included in the model accounts.

The ESFA recently published their pension grant methodology which sets out how they will fund the increase for the period between September 2019 and March 2020. Like the teacher pay grant the funding is to be provided on a per pupil basis, although it comes with a supplementary fund to protect academies if their grant allocation falls short of the actual pension cost increase by more than 0.05% of their overall budget for this period.

Component accounting is common practice but has never been referred to in the AAD previously. The specific examples provided in the detailed guidance are perhaps some of the more common instances where this may apply for academies, but we believe this change should not have a major impact.

Including in accounting policies that where an asset comprises of two or more components which have substantially different lives, for example roof, boilers, lifts, each component must be depreciated separately over its useful economic life [S6.3.13]

### UHY commentary

Component accounting like this is common practice but has never been referred to in the AAD previously. The specific examples provided in the detailed guidance are perhaps some of the more common instances where this may apply for academies.

Component accounting is appropriate whenever certain parts (i.e. components) of a fixed asset might require replacement at regular intervals. In such instances that cost of replacing such a component is added to the carrying amount of the asset when the cost is incurred, and the carrying value of the part(s) that have been replaced are derecognised from the accounts.

The depreciation method and rate used to write off the cost of any asset over its useful economic life should always be the one that best reflects the use of the asset. Component depreciation becomes appropriate when the major components of an item of fixed asset have a significantly different useful economic life than the rest of the asset, for example if any major components of a fixed asset have significantly shorter lives than the main asset itself.

What is 'significant' is open to debate. There is also an exemption if it is 'impractical or involves undue cost or effort' to adopt component accounting.

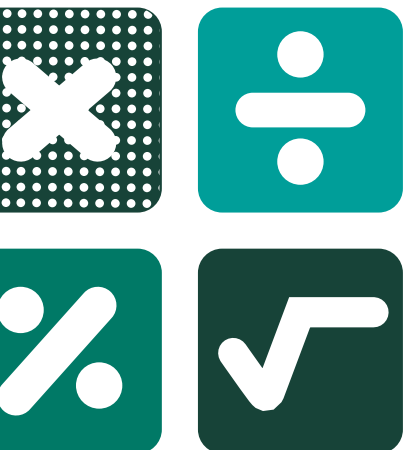
We believe this change should not have a major impact on academy trusts. It is most likely to be relevant where major material works are completed replacing part of the existing building or another existing asset. With the exception of instances where academy trusts have built completely new buildings, they are unlikely to have a breakdown of the total cost of the building and components which will provide a further challenge where replacement components are capitalised.

Specifying the grants received for capital purposes and that these must be spent on capital projects in line with the terms and conditions of the grant [S7.4.3]

### UHY commentary

It goes without saying that capital grant funding should be spent in accordance with the terms and conditions, so this is a slightly strange addition although it is a good reminder. The T&Cs include time limits on spending:

- Devolved capital funding has a three year time limit on spending, with year one being the year (the DfE April to March year) in which payment is made. The same three year limit will apply to the one-off additional capital funding paid in February 2019 for 2018-19.
- Larger MATs receiving a guaranteed School Condition Allowance (SCA) could, for 2017-18, carry over an amount equivalent to 100% of the 2017-18 allocation into the next financial year, 2018-19. Any SCA funding carried over in excess of that amount of carried over beyond, or unspent at, the end of 2018-19 needs to be repaid unless agreed with the Secretary of State.



The AAD makes it clear that the related party note disclosed must explicitly state whether all transactions have been conducted in accordance with the requirements of the AFH.

Including the new requirements from 1 April 2019 to report all transactions with related parties to ESFA, obtain approval where certain limits apply and include confirmation of this in the related party transactions note [note 31, S6.6.13]

#### UHY commentary

Our [recent blog](#) covered the recently published guidance on the new related party requirements. The AAD makes it clear that the related party note disclosed must explicitly state whether all transactions have been conducted in accordance with the requirements of the AFH, including notifying the ESFA of all transactions made on or after 1 April 2019 and obtaining their approval where required.

Including the requirement that if an academy trust wishes to recognise the use of premises, where these are given rent-free, for a remaining notice period it should reflect the future notional donation as a debtor with a corresponding entry for the future rental expense as a creditor [S7.7]

#### UHY commentary

This is not a new requirement, more a clarification. Most academy trusts hold the title to the freehold land and property, or the long 125-year leasehold interest, of the school buildings they occupy. Rent free occupation of premises is most likely to be relevant to any church academies where the Diocese or a similar body owns the freehold and, commonly, makes the premises available under a licence with a short (typically two year) notice period.

The value of the donation is the amount that the academy trust would otherwise have had to pay to secure premises sufficient for its operations for the period (in effect, to rent them). This value is often not easy to determine, and hence in reality it can often be more appropriate and easier to disclose that such a donation is not reflected because it cannot be reliably measured.

Naming the statements that are included under the heading of "other" in the auditor's report (Annex A auditor's report)

#### UHY commentary

A minor tweak that auditors will deal with automatically for their clients unless the academy trust is preparing the statutory financial statements themselves and including the audit report.



The new AAD makes it clear that all alcohol – including any purchases made from unrestricted funds, is deemed to be irregular.

Clarifying that irregular expenditure includes all alcohol and any excessive gifts including those purchased from unrestricted funds [Annex B 1.22]

### UHY commentary

A welcome clarification on this issue. Last year's AAD introduced the concept that all alcohol is deemed to be irregular, but the wording used was ambiguous, leading to confusion, especially since the 2018 Academies Financial Handbook published after the AAD 2017 to 2018 did not refer to a full prohibition on alcohol.

The new AAD makes it clear that **all** alcohol – including any purchases made from unrestricted funds, is deemed to be irregular.

This means that any academy trusts that have spent money on alcohol for any reason during 2018-19 should flag this to their auditors. If deemed material any expenditure on alcohol would need to be disclosed in the Accounting Officer's report on regularity and propriety.

A reminder that, where a subsidiary company is consolidated into academy trust group accounts the regularity requirements extend into the subsidiary and therefore any trading subsidiaries of academy trusts are prohibited from spending on alcohol.

Disappointingly the AAD does not address specific circumstances such as where the trust itself or a subsidiary has a sports centre with a bar which sells alcohol to the general public as a means of raising additional income.

Including additional areas to consider when testing governance to support the conclusion on regularity [Annex B 4.14]

### UHY commentary

This guidance is aimed at auditors and extends the scope of the regularity engagement further. The number of bullet points in the governance section of regularity has increased from two to fourteen.

In reality the inclusion of the additional items is a clarification and auditors would have been expected to review these areas previously. Many of the new points focus on checking whether trusts are compliant in areas the ESFA have been focusing on – such as executive pay – or the new requirements of the 2018 Academies Financial Handbook (AFH), for example the sharing of management accounts with the chair of trustees monthly.

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## The next step

You can read the full AAD 2018 to 2019 [here](#).

Once again there have not been a significant number of changes, but the new requirements and other subtle clarifications are welcome and should help consistency and understanding of financial reporting requirements for academy trusts.

If you have any questions or concerns over our summary, or indeed in respect of reporting requirements for academies more generally, please contact your usual UHY adviser or find your local academy expert on our website at [www.uhy-uk.com/academy-schools](http://www.uhy-uk.com/academy-schools).

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