Northern Leaders Trust

Financial Regulations

2021-22

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Control Sheet

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1.0	May 2019	Director of Finance	Creation of Financial Regulations document – updating the previous Financial and Operations Manual
2.0	August 2020	Director of Finance	Updated document in line with the Academies Financial Handbook 2020
3.0	August 2021	Director of Finance	Updated document in line with the Academies Trust Handbook 2021
3.1	May 2022	Chief Operating Officer	Updated document to reflect the change to the Trust name.

- Allowances - for members of the Trust Board
- Alcohol - Purchase
- Anti-Fraud, Corruption and Bribery Policy
- Asset - Purchases, Rentals or Leases
- Asset - Disposal
- Auditors – External, Internal and Other Audits
- Bank Debit and Charge Cards
- Bankers and other Professional Advisers – Appointments and Terminations
- Budget Preparation - Capital Programme
- Budget Preparation – Academy and Central Team Revenue Budget (two-year planning)
- Budgeting – Reserves Policy and cashflow
- Budget Changes / Virement
- Business and pecuniary interests
- Cash Advance - Petty Cash
- Cash Advance - Trips and Overseas Travel
- Clothing
- Contractors
- Creditors - Financial Scheme of Delegation / Financial Authorities
- Creditors - Payment of invoices
- Creditors - Procurement, Tenders and quotations
- Creditors - Purchase orders
- Creditors - Receipt of goods and services
- Creditors - Tenders
- Employing individuals related to Board of Trustees
- Financial Reporting – Monthly Management Accounts, Budget Forecast & VAT Return
- Financial Reporting - Annual Consolidated Financial Statements of the Trust

- Fundraising
- Gifts or Hospitality – Received by KSAT Trustees, Local Governing Body members and Staff
- Gifts or Hospitality – Given by KSAT Trustees, Local Governing Body members and Staff
- I.T. Purchases
- Income
- Income Collection, Recovery and Debt Write Offs
- Insurance
- Intellectual Property Rights and Patents
- Intercompany Transactions
- Staff Gifts and Presents
- Staff reimbursement
- Taxation
- Treasury Management and Investment policy
- Volunteers Payments

Appendices

Appendix A	Academies Trust Handbook – Freedoms and Flexibilities
Appendix B	Academies Trust Handbook – Schedule of "must" requirements
Appendix C	Lease Agreement – Checklist and clarification of lease type
Appendix D	Anti-Fraud, Corruption and Bribery – Fraud Response Plan
Appendix E	The Seven Principles of Public Life
Appendix F	Gifts and Hospitality Register
Appendix G	Finance and General Purposes Committee – Terms of Reference

A STATUS OF FINANCIAL REGULATIONS

1 Background

Northern Leaders Trust (NLT) is a Company Limited by Guarantee (Exempt Charity) created under the provisions of the Academies Act 2010, as amended by the Education Act 2011. Its structure of governance is constituted under the articles of association. KSAT is an exempt charity by virtue of the Charities Act 2011.

The funding agreement between the Education Funding Skills Agency (ESFA) and NLT sets out the terms and conditions on which grant is made. The Trust Board is responsible for ensuring that conditions of grant are met. As part of this process the Trust is required to have in place sound financial systems and controls. These financial regulations form part of this overall system of accountability.

2 Status of Financial Regulations

This document sets out NLT's financial regulations and translates them into practical guidance in order to support effective financial control. This document was considered and approved by the Trust Board in September 2021. It applies to NLT and its subsidiary academies' undertakings.

In summary the hierarchy of reporting (which in all cases compliance is mandatory);

1. Companies Act 2006
2. Accounting Standards i.e. FRS102
3. Charities SORP
4. ESFA Guidance and Agreements (i.e. Master Funding Agreements, Academies Accounts Direction and Academies Trust Handbook
5. Trust Scheme of Delegation / Articles of Association
6. Trust Financial Regulations and Policies

The purpose of these financial regulations is to provide control over all of our resources and provide Management with assurances that these are being properly used for the achievement of NLT's strategic objectives, including:

1. Ensuring effective financial controls over the use of public funds
2. Ensuring that NLT complies with all relevant legislation
3. Maintaining financial sustainability and achieving value for money
4. Safeguarding the assets of NLT

Compliance with the financial regulations is compulsory for all and failure to comply with the financial regulations may result in disciplinary action under the relevant Human Resources (HR) policies and Trustee / Local Governing Body Code of Conduct.

It is the responsibility of the Chief Executive Officer (CEO), Chief Operating Officer (COO), and Academy Principals to ensure that the Local Governing Body and staff are made aware of the existence and content of NLT's financial regulations.

3 Key Roles and Responsibilities within the Trust

The NLT key roles and responsibilities below are defined in detail within the Academy Trust Handbook (ATH). In summary these are:

Members

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
- 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 members with the trust's audited annual report and accounts

Trustees

1. Trustees of NLT have wide responsibilities under statute, regulations and the funding agreement. Principally, they are responsible for: Ensuring that the trust's funds are used only in accordance with the law, its articles of association, its funding agreement and the ATH. Trustees have wide discretion over the use of funds but must ensure proper stewardship of those funds, including regularity and propriety, and for ensuring value for money.

2. As a company limited by guarantee and exempt charity the board of trustees is subject to the duties and responsibilities of charitable trustees and company directors as well as any other conditions that the Secretary of State applies.

3. Trustees must be aware of the Charity Commission's guidance for trustees and that they are there to ensure proper governance and conduct of the Trust.

4. Trustees must understand their statutory duties as company directors as set out in the Companies Act 2006.

5. Trustees should focus on three core functions:

   - Ensuring clarity of vision, ethos, and strategic direction
   - Holding executive leaders to account for the educational performance of the organisations and its pupils, and the performance management of staff
   - Overseeing and ensuring effective financial performance

6. The trustees must apply the highest standards of conduct and ensure robust governance, as these are critical for effective financial management. They should follow the Governance Handbook, which describes the following features of effective governance and will aid compliance with the ATH:

   - Strategic leadership that sets and champions vision, ethos and strategy
   - Accountability that drives up educational standards and financial performance
   - People with the right skills, experience, qualities and capacity
   - Structures that reinforce clearly defined roles and responsibilities
   - Compliance with statutory and contractual requirements
   - Evaluation of governance to monitor and improve its quality and impact

As an organisation, the Trust has a range of obligations under current legislation and statutory guidance. Trusts' obligations include such matters as safeguarding, health and safety and estates management. Ensuring strong governance in these areas will be a key priority for the board.

Chief Executive (CEO) / Accounting Officer

The board of trustees must appoint, in writing, a senior executive leader who may be appointed as a trustee.

The board must also appoint, in writing, a named individual as its accounting officer. This should be the senior executive leader. This individual must be a fit and suitable person for the role. The roles of senior executive leader and accounting officer must not rotate. The accounting officer should be employed by the trust. The trust must obtain prior ESFA approval if it is proposing, in exceptional circumstances, to appoint an accounting officer who will not be an employee.

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

Accounting officers must be able to assure Parliament, and the public, of high standards of probity in the management of public funds, particularly regularity, propriety and value for money.

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

Trust Chief Operating Officer (COO) / Chief Financial Officer (CFO)

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

The COO and their finance staff must be appropriately qualified and/or experienced. Trusts must assess whether the COO, and others holding key financial posts, should have a business or accountancy qualification and hold membership of a relevant professional body, dependent on risk, scale, and complexity of financial operations. ESFA 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 COO vacancies.

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

Responsible Officer (RO)

The role of the RO is to provide the Trustees with an on-going independent oversight of the Trust's financial affairs. NLT will commission the RO services from an Internal Auditor, the scope of the checks to be performed are detailed within the scope agreed by Trustees. The RO service will provide Trustees with independent assurance that:

- The financial responsibilities of the Trust are being properly discharged;
- Resources are managed in an efficient, economical and effective manner;
- Sound systems of internal financial control are being maintained; and
- Financial considerations are fully taken into account in reaching decisions.

Finance and General Purposes Committee

The Finance and General Purposes Committee is a sub-committee of the Trust Board; and will advise the Board on matters relating to the Trust's finance and resources. The Committee's remit will extend to advise Trust Board on the performance and pay of the CEO of the Trust, the CEO will be excluded from the meeting during these discussions. The Committee will fulfil its responsibilities as set out in the Terms of Reference (see Appendix H).

The governance professional (clerk to the board)

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 help 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
- Advice on procedural matters relating to operation of the board
- Administrative and organisational support.

B ACADEMIES FINANCIAL HANDBOOK 2020 (SUMMARY POINTS)

1 Background

The Education Skills Funding Agency (ESFA) Academies Trust Handbook (ATH) is a key document that sets out the financial framework for academy trusts reflecting their status as companies, charities and public bodies. It balances requirements for effective financial governance and management of public funds, with the freedoms that trusts need over their day-to-day business. A summary of the freedoms and delegations can be found at Appendix A

Compliance with the handbook is a requirement in NLT's funding agreements with the Secretary of State. The Trust's Financial regulations should be considered alongside and in full compliance with the ATH. The handbook provides some flexibility but clearly sets out areas of mandatory compliance in using the following terms:

1. 'Must' - identifies requirements on academy trusts - a list of these requirements is at Appendix B.

2. ‘Should’ - identifies guidance regarded as minimum good practice, where there is no absolute requirement, but which ESFA expects trusts to apply unless an alternative approach exists that better suits the trust’s circumstances.

2 Summary Guidance from the Academies Financial Handbook

A summary of the main mandatory points from the ESFA ATH are shown below with the relevant AFH section noted in each of the sub-headings.

If an academy refers to any of the factors or transactions below, it must:

1. Consider the ATH for the full guidance then
2. Consult with the COO in advance of the transaction being agreed

Main financial requirements (ATH Section 2)

Trustees and management must maintain robust oversight of the academy trust.

The trust must take full responsibility for its financial affairs, stewardship of assets and use resources effectively to maximise outcomes for pupils.

The board and its committees must meet regularly enough to discharge their responsibilities and ensure robust governance and effective financial management. Board meetings must take place at least three times a year (and business conducted only when quorate), although trusts should consider meeting more frequently. If the board meets less than six times a year it must describe in its governance statement, accompanying its annual accounts, how it maintained effective oversight of funds with fewer meetings.

The board cannot delegate overall responsibility for the academy trust’s funds. However, it must approve a written scheme of delegation of financial powers that maintains robust internal controls. The scheme of delegation should be reviewed annually, and immediately when there has been a change in trust management or organisational structure.

The academy trust should have a finance committee to which the board delegates financial scrutiny and oversight, and which can support the board in maintaining the trust as a going concern.

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.

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
- 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
- Ensure a risk register is maintained and reviewed by the board drawing on advice provided to it by the audit and risk committee
- Reduce the risk of fraud and theft
- Deliver independent checking of controls, systems, transactions and risks.

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 the ESFA
- As part of its management of the trust's funds, 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.

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

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.

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.

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

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. The trust must manage risks to ensure its effective operation and must maintain a risk register:

- Overall responsibility for risk management, including ultimate oversight of the risk register, must be retained by the board of trustees, drawing on the advice provided to it by the audit and risk committee

- Other committees may also input into the management of risk at the discretion of the board
- Aside from any review by individual committees, the board itself must review the risk register at least annually
- Risk management covers the full operations and activities of the trust, not only financial risks

The trust's management of risks must include contingency and business continuity planning.

Internal Scrutiny (ATH Section 3)

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

Internal scrutiny must focus on:

- Evaluating the suitability of, and level of compliance with, financial and non-financial 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 non-financial controls, acting as a catalyst for improvement, but without diluting management's responsibility for day to day running for the trust
- Ensuring all categories of risk are being identified, reported and managed

The trust must identify on a risk-basis (with reference to its risk register) the areas it will review each year, modifying checks accordingly. For example, this may involve greater scrutiny where procedures or systems have changed.

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 the ESFA.

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 trustees.

The academy trust must establish an audit and risk 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 and risk committee or can combine it with another committee, such as finance

The audit and risk committee must meet at least three times a year.

The audit and risk committee must:

- Oversee and approve the trust's programme of internal scrutiny
- Ensure that risks are being addressed appropriately through internal scrutiny
- Report to the board on the adequacy of the trust's internal control framework, including financial and non-financial controls and management of risks

Employees of the trust should not be audit and risk 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 and risk committee. Where the finance committee and audit and risk committee are separate, the Chair should not be the same.

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

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 ratings and responses on 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 ESFA 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

In trusts with multiple academies, the committee's oversight must extend to the financial and non-financial controls and risks at constituent academies.

Oversight must ensure information submitted to the DfE and ESFA that affects funding, including pupil number returns and funding claims (for both revenue and capital grants) completed by the trust and (for trusts with multiple academies) by constituent academies, is accurate and in compliance with funding criteria.

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 and risk committee by the person(s) or organisation(s) carrying out the programme of work incorporating:
  - A report of the work to each audit and risk committee meeting, including recommendations where appropriate to enhance financial and non-financial controls and risk management
  - An annual summary report to the audit and risk committee for each year ended 31 August outlining the areas reviewed, key findings, recommendations and conclusions, to help the committee consider actions and assess year on year progress

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

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 from a firm, other organisation or individual with professional indemnity insurance
- The appointment of a non-employed trustee
- A peer review by the chief financial officer 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. The peer reviewer should be independent of the trust

The trust may combine the above options. The trust may also use other individuals or organisations where specialist non-financial knowledge is required.

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

- 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. Trusts should work towards this position where it is not already the case.

Trusts should note that the Financial Reporting Council's revised Ethical Standard states that a firm providing external audit to an entity shall not also provide internal audit services to it. In order to minimise threats to objectivity and independence in the internal scrutiny of academy trusts, ESFA considers that the term internal scrutiny should be viewed in the same way as internal audit.

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.

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.

The trust must submit its annual summary report of the areas reviewed, key findings, recommendations and conclusions (as presented to the audit and risk committee under section 3.15 by the person(s) or organisation(s) carrying out the programme of work) to the ESFA by 31 December each year when it submits its audited annual accounts. If the trust uses additional individuals or organisations where specialist non-financial knowledge is required, as permitted under paragraph 3.18, it should reflect their findings, recommendations and conclusions as part of the summary document submitted to the ESFA. The trust must also provide the ESFA with any other internal scrutiny reports if requested.

Disclosure (ATH Section 5.2)

Irrespective of whether ESFA approval is required, the Trust must disclose aggregate figures for transactions of any amount and separate disclosure for individual transactions above £5,000 in its audited accounts for the following transactions:

1. special payments – compensation
2. special payments – ex-gratia
3. writing off debts and losses
4. guarantees, letters of comfort and indemnities
5. acquisition or disposal of freehold land and buildings
6. disposal of heritage assets
7. taking up or granting a leasehold on land and buildings
8. gifts by the trust

The following transactions must be disclosed in total, and individually:

- special payments – staff severance, of any value

Other than what is required under financial reporting standards, the Charities SORP and the Accounts Direction, disclosure can be anonymised.

Novel, Contentious and repercussive transactions (ATH Section 5.5)

Novel, contentious and/or repercussive transactions must always be referred to the ESFA for approval. The request must be made to the ESFA before the transaction occurs. The ESFA may refer such transactions to HM Treasury for approval, so trusts should allow sufficient time for proposals to be considered.

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

Related party transactions (ATH Section 5.35 – 5.43)

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

- Trustees comply with their statutory duties as company directors to avoid conflicts of interest, not accept benefits from third parties, and declare interest in proposed transactions or arrangements
- All members, trustees, local governors of academies and senior employees complete the register of interests, in accordance with sections 5.45 to 5.48 of this handbook
- No member, trustee or local governor, employee or related individual or organisation uses their connection to the trust for personal gain, including payment under terms that are preferential to those that would be offered to an individual or organisation with no connection to the trust
- There are no payments to trustees by the trust unless permitted by the articles, or by authority from the Charity Commission, and comply with any relevant agreement with the Secretary of State. Trusts will need to consider these obligations where payments are made to other business entities who employ the trustee, are owned by the trustee or in which the trustee holds a controlling interest
- The Charity Commission's approval is obtained where the trust believes a significant advantage exists in paying a trustee for acting as a trustee
- Payments provided to the persons referred to in section 5.49 satisfy 'at cost' requirements in this handbook.

The trust should be aware of the Charity Commission's guidance for trustees CC11: Trustee expenses and payments.

The board of trustees must ensure requirements for managing related party transactions are applied across the trust. The board chair and the accounting officer must ensure their capacity to control and influence does not conflict with these requirements. They must manage personal relationships with related parties to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with the 7 principles of public life.

Trusts must recognise that some relationships with related parties may attract great public scrutiny, such as:

- Transactions with individuals in a position of control and influence, including the board chair and accounting officer
- Payments to organisations with a profit motive, as opposed to those in the public or voluntary sectors
- Relationships with external auditors beyond their duty to deliver a statutory audit

The trust must keep sufficient records, and make sufficient disclosures in their annual accounts, to show that transactions with these parties, and all other related parties, have been conducted in accordance with the high standards of accountability and transparency required within the public sector.

Trusts must report all contracts and other agreements with related parties to the ESFA in advance of the contract or agreement commencing, using the ESFA's related party on-line form. This requirement applies to all such contracts and agreements made on or after 1 April 2019.

Trusts must obtain the ESFA's prior approval, using the ESFA's related party on-line form, for contracts and other agreements for the supply of goods or services to the trust by a related party agreed on or after 1 April 2019 where any of the following limits arise:

- A contract or other agreement exceeding £20,000
- A contract or other agreement of any value that would mean the cumulative value of contracts and other agreements with the related party exceeds, or continues to exceed £20,000 in the same financial year ending 31 August

For the purposes of reporting to, and approval by, ESFA contracts and agreements with related parties do not include salaries and other payments made by the trust to a person under a contract of employment through the trust's payroll.

Novel, contentious and / or repercussive related party transactions are subject to separate arrangements. Trusts must obtain the ESFA's prior approval for any contracts or agreements with related parties that are novel, contentious and / or repercussive, regardless of value. Approval must be sought using the ESFA's enquiry form, not through the related party on-line form. Trusts should carefully consider the impact of this requirement and its relevance to transactions involving the board chair and / or the accounting officer.

Register of interests (ATH Section 5.45 – 5.48)

The academy trust's register of interests must capture relevant business and pecuniary interests of members, trustees, local governors and senior employees, including:

1. Directorships, partnerships and employments with businesses
2. Trusteeships and governorships at other educational institutions and charities
3. For each interest: the name of the business and the nature of the business; the nature of the interest and the date the interest began.

The register must identify relevant material interests from close family relationships between the academy trust's members, trustees or local governors. It must also identify relevant material interests arising from close family relationships between those individuals and employees. Close family relationships are defined in section 5.49 (third bullet),

Trusts should consider whether any other interests should be registered, and if in doubt should do so. Boards of trustees should keep their register of interests up to date at all times.

The Trust must publish on their websites relevant business and pecuniary interests of members, trustees, local governors and accounting officers. Trusts have discretion over the publication of the interests of any other individual named on the register. The Charity Commission offers guidance in Manage a conflict of interest in your charity and CC29: Conflicts of interest: a guide for charity trustees.

At cost requirements (ATH Section 5.49 – 5.59)

Subject to sections 5.54 to 5.57 a Trust must pay no more than 'cost' for goods or services ('services' do not include contracts of employment) provided to it by the following persons ('persons' meaning both individuals and organisations)):

- members or trustees of the academy trust
- individuals or organisations related to a member or trustee of the academy trust. For these purposes the following persons are related to a member, or trustee:
  - A relative of the member or trustee. A relative is defined as a close member of the family, or member of the same household, who may be expected to influence, or be influenced by, the person. This includes, but is not limited to, a child, parent, spouse or civil partner
  - An individual or organisation carrying on business in partnership with the member, trustee or a relative of the member or trustee
  - A company in which a member or the relative of a member (taken separately or together), and/or a trustee or the relative of a trustee (taken separately or together), holds more than 20%of the share capital or is entitled to exercise more than 20%of the voting power at any general meeting of that company
  - An organisation which is controlled by a member or the relative of a member (acting separately or together), and/or a trustee or the relative of a trustee (acting separately or together). For these purposes an organisation is controlled by an individual or organisation if that individual or organisation is able to secure that the affairs of the body are conducted in accordance with the individual's or organisation's wishes
- Any individual or organisation given the right under the trust's articles of association to appoint a member or trustee of the academy trust; or anybody connected to such individual or organisation
- Any individual or organisation recognised by the Secretary of State as a sponsor of the academy trust; or anybody connected to such individual or organisation

A body is connected to another individual or organisation if it is controlled by the individual or organisation, or controls the organisation, or is under common control with the individual or organisation. For these purposes, control means:

- Holding more than 20%of the share capital (or equivalent interest), or
- Having the equivalent right to control management decisions of the body, or
- Having the right to appoint or remove a majority of the board or a local governing body

The 'at cost' requirement does not apply to the trust's employees unless they are also one of the parties described in section 5.49.

While these provisions do not apply to contracts of employment, the principles of securing value for money and using public money properly, including managing conflicts of interest, still apply. Salaries should be appropriate to the individual's skills and experience and to wider market rates.

If staff or an individual or organisation in section 5.49 are based in, or work from the premises of, the academy trust, that individual/ organisation and the trust must agree an appropriate sum to be paid to the trust for such use/occupation of the premises, save to the extent that they are carrying out work for the trust.

The 'at cost' requirement applies to contracts for goods and services from a related party agreed on or after 7 November 2013.

The 'at cost' requirement applies to contracts for goods and services from a related party exceeding £2,500, cumulatively, in any one financial year. Where a contract takes the trust's cumulative annual total with the related party beyond £2,500, the element above £2,500 must be at no more than cost.

In relation to organisations supplying legal advice or audit services to the academy trust, the 'at cost' requirement applies where the organisation's partner managing the service is a member or trustee of the trust but not in other cases for those organisations. The published ethical standards for auditors prevent partners or employees of the audit firm from acting as a trustee of their client trust, but not of other trusts.

In relation to dioceses, the contributions made by an academy trust to its diocese for services it receives associated with securing the academy trust's religious character and ethos, which only the diocese can provide, are regarded as meeting the 'at cost' requirement.

Academy trusts must ensure that any agreement with an individual or organisation referred to in section 5.49 to supply goods or services to the trust is properly procured through an open and fair process and is:

1. Supported by a statement of assurance from that individual or organisation to the trust confirming their charges do not exceed the cost of the goods or services, and

2. On the basis of an open book agreement including a requirement for the supplier to demonstrate clearly, if requested, that their charges do not exceed the cost of supply

For these purposes the cost will be the 'full cost' of all the resources used in supplying the goods or services, and must not include any profit. Full cost includes:

1. All direct costs (the costs of any materials and labour used directly in producing the goods or services)

2. Indirect costs (a proportionate and reasonable share of fixed and variable overheads)

Publication of executive pay (ATH Section 2.32)

The trust must publish on its website in a separate readily accessible form the number of employees whose benefits excessed £100k, in £10k bandings, as an extract from the disclosure in its financial statements for the previous financial year ended 31 August. Benefits for this purpose include salary, other taxable benefits and termination payments,. Trusts may wish to display the information in a tabular form showing in each column salary, pension, etc. 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 must also be included in the website disclosure where payments exceeds £100k as if they were an employee.

Tax arrangements for senior employees (ATH Section 2.34)

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 fine by HM Treasury.

Special payments (ATH Section 5.6)

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

1. Staff severance payments
2. Compensation payments
3. Ex gratia payments

Special staff severance payments (ATH Section 5.7 – 5.18)

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

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

1. that the proposed payment is in the trust's interests
2. whether such a payment is justified, based on legal assessment of the trust's chances of successfully defending the case at employment tribunal. If there is a significant prospect of losing the case a settlement may be justified, especially if the costs of a defence are likely to be high. Where a legal assessment suggests that the trust is likely to be successful, a settlement should not be offered
3. if the settlement is justified, the trust would need to consider the level of settlement. This must be less than the legal assessment of what the relevant body (e.g. an employment tribunal) is likely to award

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

Where the academy trust is considering a staff severance payment including a non-statutory / non-contractual element of £50,000 or more, (gross, before income tac or other deductions), The ESFA's prior approval must be obtained before making any binding offer to staff. The ESFA will refer such transactions to HM Treasury, so trusts should allow sufficient time for proposals to be considered. Examples of approval requirements are as follows:

Academy trusts should demonstrate value for money by applying the same level of scrutiny to a payment under £50,000 as if it were over the £50,000 delegation and have a justified business case. Settlements must not be accepted unless they satisfy the conditions in this handbook and in ESFA's guidance and submission template.

Additionally, in accordance with HM Treasury's Guidance on Public Sector Exit Payments, academy trusts must obtain prior ESFA approval before making a staff severance payment where:

- an exit package which includes special severance payment is at, or above £100,000; and/ or
- the employee earns over £150,000

Use of confidentiality clauses

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

Compensation payments

Compensation payments provide redress for loss or injury, for example personal injuries, traffic accidents or damage to property. If an academy trust is considering making a compensation payment, it must base its decision on a careful appraisal, including legal advice where relevant, and ensure value for money.

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

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

Ex gratia payments

Ex gratia payments are another type of transaction that go beyond statutory or contractual cover, or administrative rules. Annex 4.13 of Managing Public Money provides examples, including payments to meet hardship caused by official failure or delay, and to avoid legal action due to official inadequacy.

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

Write-offs and entering into liabilities (ATH Section 5.19 – 5.22)

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

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

The delegated limits are:

1. 1%of total annual income or £45,000 (whichever is smaller) per single transaction

2. cumulatively, 2.5%of total annual income in any financial year per category of transaction for any trusts that have not submitted timely, unqualified audited accounts for the previous two financial years. This category includes new trusts that have not had the opportunity to produce two years of audited accounts

3. cumulatively, 5%of total annual income (subject to a maximum of £250,000) in any financial year per category of transaction for any trusts that have submitted timely, unqualified audited accounts for the previous two financial years.

In relation to these limits:

1. The trust should always pursue recovery of amounts owed to it, including overpayments, or erroneous payments. In practice, however, there will be practical and legal limits to how cases should be handled

2. The trust should only consider writing off losses after careful appraisal, including whether all reasonable recovery action has been taken with the debtor, the trust's insurers, or the risk protection arrangement, and should be satisfied there is no feasible alternative

3. The amounts for write-offs are before any successful claims from an insurer or the risk protection arrangement

4. Total annual income is defined as grant income as disclosed in the trust's last audited accounts. The ESFA should be contacted if the trust has not yet published their first audited accounts

Before accepting any liabilities by issuing guarantees, a letter of comfort or indemnity, the trust should secure value for money by appraising the proposal through an assessment of the costs and benefits of relevant options. Academy trusts seeking ESFA approval for an indemnity should confirm whether it is covered by insurance of Risk Protection Arrangement (RPA).

Acquisition and disposal of fixed assets (ATH Section 5.23 – 5.24)

Academy trusts must obtain prior approval from the ESFA for the following transactions:

1. Acquiring a freehold of land or buildings

2. Disposing of a freehold of land or buildings

3. Disposing of heritage assets, as defined in financial reporting standards,

   beyond any limits in the funding agreement for the disposal of assets generally.

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

Leasing (ATH Section 5.25 – 5.28)

There are two types of lease:

1. Finance leases: these are a form of borrowing

2. Operating leases: these are not borrowing

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

1. Taking up a finance lease on any asset for any duration from another party , which are subject to the borrowing restrictions described in paragraphs (5.33 and 5.34)

2. Taking up a leasehold or tenancy agreement on land or buildings from another party for a term of seven or more years

3. Granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party.

Other than the above, trusts do not require the ESFA's approval for operating leases.

Trusts must ensure that any lease maintains the principles of value for money, regularity and propriety. Trusts should seek advice from their professional adviser and/or external auditor if they are in doubt over whether a lease involves borrowing.

Managing General Annual Grant (GAG) (ATH Section 5.29 – 5.34)

Managing surplus GAG

ESFA previously set limits on GAG carried forward by trusts from year-to-year. These limits have now been removed for eligible academy trusts (see section 5.60). ESFA will report to the DfE any trusts where it has serious concerns about a long-term substantial surplus with no clear plans for its use.

Pooling of GAG by MATs

A trust with multiple academies can amalgamate GAG for its academies to form one central fund. This fund can then be used to meet the normal running costs at any of its constituent academies within the trust. In accordance with its funding agreement a MAT must not pool PFI funding.

The trust must consider the funding needs and allocations of each constituent academy, and must have an appeals mechanism. If a constituent academy's principal feels that the academy has been unfairly treated, they should appeal to the trust. If the grievance is not resolved, they can appeal to the Secretary of State, via the ESFA. Where the ESFA receives an appeal, it will review the process that the trust has followed, including whether the trust has considered the funding needs of the constituent academy and the trust with the opportunity to provide any evidence they feel is relevant to the case. The ESFA's decision will be final and can result in the pooling provisions being disapplied.

Borrowing

Academy trusts must obtain the ESFA's approval for borrowing (including finance leases and overdraft facilities) from any source, where such borrowing is to be repaid from grant monies or secured on assets funded by grant monies, regardless of the interest rate chargeable. Credit cards must only be used for business expenditure, and balances cleared before interest accrues.

However, academy trusts will only be granted permission for borrowing in exceptional circumstances, such as schemes introduced by the Secretary of State to meet broader policy objectives – for example the Department's Condition Improvement Fund for capital projects, and the Salix scheme that supports energy saving.

Gifts

The academy trust should have a policy and register on the acceptance of gifts, hospitality, awards, prizes or any other benefit that might be seen to compromise their judgment or integrity, and should ensure all staff are aware of it. When making gifts, the trust must ensure the value is reasonable, is within its scheme of delegation of financial powers, the decision is documented, and achieves propriety and regularity in the use of public funds.

Applicability of delegations and freedoms (ATH Section 5.60 – 5.64)

Some of the delegations and freedoms in part 5 of the ATH that go beyond the terms of the trust's funding agreement do not apply to those trusts. They do not apply to trusts that are party to one or more funding agreements that:

1. Allow one or more of its academies to receive GAG based on estimated pupil numbers regardless of whether they are being funded on that basis, and

2. Allow the Secretary of State to recover GAG from those academies if estimated pupil numbers exceed census-based pupil numbers beyond a specified percentage, and

3. Do not require a move to pupil census-based funding permanently.

A move permanently means:

1. The academy is subject to a funding agreement that moves it to pupil census-based funding within a specified number of years, after which the agreement provides for it to be funded only in that way, or

2. In the case of a free school it is subject to a funding agreement that moves it to pupil census-based funding when all cohorts relevant to the age range have some pupils present; and allows the Secretary of State to recover all additional GAG from the free school if estimated pupil numbers exceed census-based pupil numbers

The delegations and freedoms in the ATH that do not apply to trusts on estimates-based GAG funding are those relating to:

1. Acquisition and disposal of fixed assets (5.22)

2. Leaseholds and tenancy agreements of land and buildings (5.25)

3. Carry forward of unspent GAG from one year to the next (5.28)

4. Pooling of GAG by MATs (5.29).

The freedoms do not apply until the trust's funding agreements are updated to move all academies within the trust to pupil census-based funding permanently, as defined above.

In the case of a trust with multiple academies, if one or more of its constituent academies does not meet the criteria above for access to the delegations and freedoms, all academies within the trust will be unable to access the delegations and freedoms.

C NORTHERN LEADERS TRUST - POLICY & REPORTING

1 Background

The policy and guidance below builds on the mandatory requirements above. Where freedoms and flexibilities had been given by the ATH the Trust has drafted and consulted upon with its academies a number of policies, internal controls and reporting requirements. Trustees have considered and approved these policies, internal controls and reporting requirements which alongside the ATH must be applied without reserve to the day to day running of the Trust and its academies.

2 Policy and Reporting (in alphabetical order)

Accounting Records – Retention Period

The coo is responsible for the retention of financial documents. These should be kept in a form acceptable to the relevant authorities. Members of staff should ensure that retention arrangements comply with any specific requirements of funding organisations. nlt is required by law to:

1 Retain prime documents for six years

2 Additionally, for auditing and other purposes, other financial documents should be retained for three years or as determined by the funder

Allowances – Travel, subsistence and other allowances

Expenses and reimbursement of these expenses should be considered using the Trust policy. In summary, the policy requires:

1. The journeys were authorised
2. The expenses were properly / necessarily incurred with receipts
3. The allowances are properly payable by nlt
4. Consideration has been given to value for money in choosing the mode of transport

Mileage expenses are reimbursed via payroll.

Staff expenses under £25 are reimbursed via petty cash.

Staff expenses over £25 are reimbursed via BACS.

Accounting System

The coo is responsible for ensuring that the trust has a suitable accounting system. All of the financial transactions of the Trust must be recorded on the accounting system. The accounting system is set up and monitored as follows:

1. Each user has a unique username and password;
2. Each user is assigned access levels to the accounting system based on their requirements and responsibilities;
3. Passwords should be changed on a regular basis and no less than 3 monthly intervals; and
4. The COO is responsible for setting the access rights levels within the finance department.

Back-up copies from the accounting system are taken automatically on a daily basis, by means of secure media. The back-up copies are stored in separate areas in line with the disaster recovery plan.

Transactions posted to the accounting system are authorised in accordance with the procedures outlined within the financial regulations.

Journal entries posted to the accounting system are entered onto a journal sheet and authorised by the COO prior to posting to the accounting system. Supporting documentation should, where relevant, also be attached to journal sheets to ensure validity of the amounts that are being posted.

System transactions should be reviewed from the accounting system on a monthly basis by the COO and all unusual amounts investigated to ensure transactions posted to the accounting system are valid.

Reconciliations of the following control accounts will be undertaken on a monthly basis, with any variances reported to the COO for investigation:

1. Sales ledger control account;
2. Purchase ledger control account;
3. Payroll wages control account;
4. Suspense accounts;
5. Bank control accounts.

Allowances - for members of the Trust Board

In accordance with Charity Commission guidance, claims for members of the Trust Board will be authorised by the CEO or DoF. Claims for meeting attendance will be based on out-of-pocket expenses, but only reasonable expenses can be reimbursed.

Alcohol - Purchase

The trust's funds must not be used to purchase alcohol for consumption, except where it is to be used in religious services.

Anti-Fraud, Corruption and Bribery Policy

It is the duty of all members of staff, management and the Trust Board to notify the COO immediately whenever any matter arises which involves, or is thought to involve, irregularity, including fraud, corruption or any other impropriety.

The COO will immediately invoke the Fraud Response Plan (see Appendix D for details). If the suspected fraud is thought to involve the CEO or COO and/or the Principal, the member of staff shall consult the Trust's Whistleblowing Policy (located on the Trust website).

Only the CEO or COO may contact the Police or other external agencies / authorities on behalf of the Trust with regard matters of fraud, corruption or bribery.

Asset - Purchases, Rentals or Leases

The main areas to note are:

1. Capital assets are defined as tangible and intangible assets that have initial useful lives that extend beyond a single reporting period
2. As capital assets are recorded at historical cost as of the date acquired or constructed. If historical cost information is not available, assets are recorded at estimated historical cost by calculating current replacement cost and deflating the cost using the appropriate price-level index
3. Land, buildings, fixed plant and machinery whether lease or rent can only be undertaken with authority from the Trust Board and with reference to ESFA AFH
4. Lease Agreements for any assets / goods can only be authorised by those staff registered at Companies House as Trust Directors or a Company Secretary
5. The COO will maintain NLT's register of land, buildings, fixed plant and machinery. Principals will provide the COO with any information he or she may need to maintain the register. The asset register will include the source of funds for the asset
6. The asset register will detail the following:
    a. Asset description
    b. Asset number
    c. Serial number
    d. Date of acquisition
    e. Asset costs
    f. Source of funding (%of original cost funded from DfE grant and %funded from other sources)
    g. Expected useful economic life
    h. Depreciation
    i. Current book value
    j. Location
    k. Name of member of staff responsible for the asset

7. The Trust has established the following minimum capitalisation thresholds f or capitalising fixed assets:

   a. Land, Buildings and improvements £7,500

   b. Machinery/equipment/vehicles/ICT £3,000

8. The Trust Finance Team are responsible for maintaining:

   a. Inventories, for all plant, equipment, furniture and stores in their academies with a value in excess of £3,000. The inventory must include items donated or held on trust

9. The Principals are responsible for:

   a. Establishing adequate arrangements for the custody and control of stocks and stores within their academies. Regular inspections and stock checks must be carried out. Stocks and stores of a hazardous nature should be subject to appropriate security checks

   b. The care, custody and security of the buildings, stock, stores, furniture, cash, etc. under their control. They will consult the Trust Estates Manager in any case where security is thought to be defective or where it is considered that special security arrangements may be needed

   c. Establishing adequate arrangements for the custody and control of all other assets owned by NLT, whether tangible (such as stock) or intangible (such as intellectual property), including electronic data

10. Detailed records are maintained at the discretion of the COO for all items below the capitalisation thresholds that should be safeguarded from loss. These items are part of the annual physical inventory. These items include computer equipment that falls below the established thresholds and any other assets specified by the COO.

11. All fixed assets given to the Trust are recorded in the accounts as income in the period in which the fixed asset was given to the trust. The value placed on gifts in kind should be either a reasonable estimate of their gross value to the Trust or the amount actually realised. The key test is what the Trust would have been prepared to pay to purchase the asset

12. Physical counts against the register are undertaken annually at or about 30th June. This count is to be performed by someone other than the person responsible for the asset register. Differences between counts and the register are to be investigated promptly and report to Trustees

13. All fixed assets will be depreciated using a straight-line method of depreciation at the following rates:

   a. Building – 50 years

   b. Plant and machinery – 5 years

   c. Furniture and Equipment – 5 years

   d. ICT equipment – 3 years

   e. Land is not depreciated

Assets owned by NLT shall, so far as is practical, be effectively marked to identify them as institution property.

Assets owned or leased by NLT shall not be subject to personal use without proper and advanced authorisation from the Principal or CEO.

NLT property must not be removed from Trust premises without the authority of the Curriculum Leader, Head of Department or Principal. A record of the loan must be recorded in a loan book and booked back to the Academy Trust on its return. If the assets are on loan for an extended period or to a single member of staff on a regular basis, the situation may give rise to a "benefit in kind" for taxation purposes. Loans should therefore be kept under review and any potential benefits discussed with the Academy Trust's auditors.

Asset - Disposal

The main points to note:

1. Disposal of equipment and furniture must be in accordance with funding body arrangements and Academies Trust Handbook

2. Disposal of land and buildings must only take place with the authorisation of the Trust Board. Please contact the COO

3. Funding body consent may also be required if exchequer funds were involved in the acquisition of the asset

4. Assets may be available for disposal for a number of reasons, for example;

    a. Beyond economical repair

    b. No longer complying with Health and Safety requirements

    c. No longer required due to changed procedures or functions

    d. Not capable of running required software

5. All request for disposal must be submitted to the COO and then approved by the Finance and General Purposes Committee. The best possible value must be obtained in the disposal of the assets.

6. Acceptable methods of disposal are:

    a. Private sale – to ensure a fair price is received, a market valuation should be obtained. The sale should be publicised appropriately, via advertising or emailing and could be dolt to the first person to make an offer or via sealed bids, as appropriate.

    b. Donation to an appropriate organisation – all donations must be approved by the Finance and General Purposes Committee.

    c. Recycled or Destroyed – items with no market value or no use to another organisation should be appropriately and safely destroyed. The asset disposal should be approved by the COO.

7. General disposal procedures:

    a. Identify asset for disposal;

    b. Determine market value

c. COO approves disposal

d. Select the best disposal method

e. Record disposal in the asset register

8. Sale or donation of ICT equipment - specifics

a. All hard disc data should be erased

b. The recipient of the equipment should be advised in writing that KSAT will not be liable for any Health and Safety issues surrounding the use of the equipment

Overall responsibility for the asset register is owned by the COO, who will make any decisions related to accounting for and disposing of assets subject to approval by the Trustees, as necessary.

Auditors – External, Internal and Other Audits

The Trust must comply in full with ESFA requirements with regard audit (See Appendix B)

External, Internal Auditors shall have authority to:

1. Access to premises at reasonable times
2. Access all assets, transactional records, documents and correspondence
3. Seek and receive explanation as necessary concerning matters under examination
4. Require any employee to account for cash or any other property under their control
5. Access records belonging to third parties, such as contractors, when required

The COO is responsible for presenting to Finance and General Purposes Committee both:

1 A timetable each year of academy internal audits and scope of work that will be tested against at each academy visit

2 In-line with the ATH an annual timetable in consultation with external audit for final accounts purposes and will advise staff and local governing bodies accordingly

NLT may, from time to time, be subject to audit or investigation by external bodies such as the funding body, the National Audit Office, the European Court of Auditors, HM Revenue and Customs. They have the same rights of access as external and internal auditors.

Government Procurement Cards

The trust permits the use of Government Procurement cards. Financial Regulations provide other relevant areas that should be consulted when making purchases using a Government Procurement Card. The summary guidance for Government Procurement Cards is:

1. The operation and control of NLT's procurement cards is the responsibility of the COO which can be delegated to the individual named on the card. There will be appropriate oversight by the COO in the distribution of such cards and the associated card limits
2. Holders of cards must use them only for the purposes for which they have been issued and within the authorised purchase limits, for the payment of valid business expenses only. Cards must only be used when there is a genuine business case and/or usual methods of payment are not accepted (i.e. BACS/payment ledger) and the misuse of such cards shall be grounds for disciplinary action
3. Cards must not be loaned to, or taken offsite by another person, nor should they be used for personal or private purchases. If the card holder uses the card for purposes for which it is not intended then the card holder must repay the amount in full. In the event of the card holder using the card for the purposes for which it is not intended, then the card may be withdrawn and disciplinary action be taken
4. The COO shall determine what information is required on purchases made with cards from cardholders and deadlines for receipt in the finance section to enable financial control to be maintained. If a receipt for a purchase cannot be produced then the card holder will be asked to repay the amount in full
5. There should be appropriate segregation of duties, with those reviewing and reconciling cards not holding and using those cards
6. Statements are available through the bank's online system
7. The card must be kept in a secure place at all times
8. The delivery address should always be the academy and not home addresses etc. Personal items must NOT be purchased using the card
9. Cards must only be used after the correct authorisation to purchase has been obtained. Purchases for goods or services obtained using a procurement card must be supported by either an email or signed paper requisition from an authorised signatory
10. Receipts must be attached to the statements to show a clear audit trail for all transactions
11. VAT rules still apply to purchases made using the card; therefore, VAT receipts must be requested
12. The statement giving details of this transaction will be reconciled with the orders or requisitions placed and an entry made in the financial ledger. The Senior Finance Officer needs to ensure that any supplier refunds are re-credited to the card account correctly and the financial ledger updated
13. Guidance relevant to all types of bank cards being used on the internet;
    a. Purchases over the internet should only be used where the goods or services cannot be effectively or economically obtained via traditional methods, and the Academy considers that best value is being achieved. The cost of P&P and any returns needs to be taken into account

b. From the point above, receipts should be recorded in SAGE 200 against the correct nominal codes. For example, goods and services recorded against the relevant nominal code and postage and package against another

c. If purchasing goods or services using the internet, the Academy should only purchase from secure sites (those displaying “https” at the start and displaying a padlock symbol)

d. Individuals ordering goods and services should make it clear that these are being ordered on behalf of the academy

e. When orders are placed with the supplier an order confirmation will usually be displayed or an e-mail received together with the method of payment. This must be printed off and kept with the authorisation to purchase (along with all transaction documentation and associated emails)

f. The Academy should use the same procedures on receipt and payment of goods and services from the internet as per traditional methods e.g. authorisation from budget holders

g. The Academy should also consider the risks when using the internet, and ensure that the account is password protected and that only a limited number of personnel know the password

h. Some smaller traders may use third party payment agents (e.g. PayPal) who are unable to issue VAT receipts or invoices. Academies must ensure that they obtain a valid invoice / receipt from the supplier direct

i. Academies should not click on links to on-line shops in e-mails, as they may link to fraudulent sites, and addresses should be typed manually

All staff will be required to support audit spot checks without prior approval. Failure to support fully with either a request of the Trust or its auditors, or evidence of misuse may lead to HR and management action leading to disciplinary, suspension and / or contract termination.

In the event of the card being lost, stolen or compromised the card holder must contact immediately the Trust COO or CEO.

In addition to Government Procurement Cards, the Trust permits the use of Fuel Cards.

Fuel Cards must only be opened with the Trust approved provider and approval must be sought from the Trust COO or CEO and the application made through the Central Services Finance Team.

The academy is responsible for ensuring that:

1. Only used for the vehicle with which the card is registered to, i.e. this excludes any personal vehicles and fuel cans for machinery or equipment

2. They have appropriate receipts for all transactions

3. All receipts are collated and submitted to the Central Finance team on a weekly basis and in a timely manner

Bankers and other Professional Advisers – Appointments and Terminations

The Trust Board delegated to the Finance and General Purposes Committee is responsible for the appointment of NLT's bankers and other professional financial advisers (such as investment managers) on the recommendation of the COO.

The COO is responsible, on behalf of the Finance and General Purposes Committee, for liaising with NLT's bankers in relation to NLT's bank accounts. Only the CEO and COO may open or close a bank account for dealing with NLT's funds. All bank accounts shall be in the name of NLT or NLT established subsidiary.

All automated transfers on behalf of NLT, such as BACS or CHAPS, must be authorised in the appropriate manner and in accordance with the established bank mandate demonstrating segregation of duties.

The COO is responsible for ensuring that all bank accounts are subject to regular reconciliation and that large or unusual items are investigated as appropriate.

Budget Preparation - Capital Programme

The capital programme includes expenditure on items such as land, buildings, equipment, furniture and associated costs whether or not they are funded from capital grants or capitalised for inclusion in NLT's financial statements.

The COO is responsible for drafting to Trustees these budgets against the agreed priorities and then providing regular statements to the Finance and General Purposes Committee for monitoring purposes.

Amounts relating to the delegated authority for ordering goods / services and contract variations can be found in NLT's Financial Scheme of Delegation.

Budget Preparation – Academy and Central Team Revenue Budget (three-year planning)

The COO with Principals are responsible for preparing annually a Medium Term Financial Plan (MTFP) for approval by the Trust Board in time to meet ESFA deadlines. Budgets are to be considered and prepared for a three-year period with the third year remaining in draft and appropriate action taken to remove any deficits prior to trustee approval.

The Board of Trustees must comply in full with the Financial Planning, monitoring and reporting requirements set out by the ESFA in the ATH (See Appendix B)

In summary the key budgetary principles, requirements and timescales are:

1. The COO will produce each year a detailed Medium Term Financial Planning (MTFP) guidance report format

2. The COO will work alongside Academy Principals to produce a draft MTFP for submission to the CEO and Finance and General Purposes Committee

3. Student forecasts are capped unless supported by written notification from the local authority or admissions team to:

    a. Year 7 students capped at a maximum of 5%to that of the previous year

    (in each of the three years)

    b. Year 12 students capped at a maximum of 5%based upon previous year uptake from year 11 to year 12 (in each of the three years)

4. Budgets will be prepared in line with Integrated Curriculum Financial Planning (ICFP)

5. Budgets prepared by academies that are to be submitted as the final draft and presented to the Finance and General Purposes Committee and ratified by the Trust Board

During the year if there are any major concerns or variances to the agreed budget the Principal will work with the COO to prepare and submit a revised budget for consideration by CEO and approval by Finance and General Purposes Committee.

Budgeting – Reserves Policy and cash flow

The level of reserves to be held by individual academies and then as a trust overall has been considered using both Trustee knowledge and experience coupled with best practice from CIPFA Treasury Management (in public services) and NPC Charity Financial Analysis.

The Trust policy has been prepared to help satisfy five main purposes:

1. To support Trustees in their statutory responsibilities and to manage effectively public funds in the provision of managing NLT and delivering its objectives and priorities

2. To emphasise the overriding importance of effective risk management as the foundation for ensuring organisational going concern. The main risks being managed at present relate to funding adjustments, declining student numbers, excess increases in student numbers, proposed changes in funding and operational activities both internally and externally

3. To provide transparency in decision making including providing clarity over the use of banking services and financial instruments that NLT may plan to use for the prudent management / investment

4. To encourage the pursuit of value for money and to promote the reasoned use, development and appreciation of resources to improve school improvement

5. To assist those involved in the regulation and review of finance in the public services, particularly those charged with audit and governance

Types of Reserves

Trust balances can be for “restricted” or “unrestricted” purposes depending on the source of the funding.

Unrestricted

Unrestricted reserves can be defined as income funds from grants or donations that can be spent at the discretion of Trustees.

Restricted

Restricted reserves are mainly derived from government funded grants, through the ESFA, but may also include other grants or donations provided for a specific purpose. Restricted reserves must be used in accordance with the limitations outlines in the original funding agreement.

Key Principles

The key principles that underpin the Trust's approach to reserve management are:

- Budget setting, the principles are in line with those outlined in the Trust policy under "Budget Preparation"

  - Academy Principals should ensure the MTFP supports fully Trust Financial Regulations is shared with their Leadership Team members

  - The Academy MTFP drafted by the Principal and COO, and submitted to the CEO will then be presented to the Finance and General Purposes Committee who will review academy budgets and either make recommendations or give approval for the current year's budget and the indicative following years

- All reserves are Trust reserves

- The Trust's general reserve balance may be comprised of restricted or unrestricted reserves

- The Trust's reserves balance should only decrease due to capital investment and / or other organisational needs which shall at all times be approved by the Trustees

Trust general reserves balance

Academies are to build reserves over the medium-term equivalent to one twelfth of the gross expenditure (i.e. one month's revenue spending). This is in line with current ESFA thinking around prudence in relation to budgeting and best practice guidance.

Sinking funds

Sinking funds for specific regeneration projects (for example the replacement of an all-weather pitch) shall also be consolidated into the Trust's general reserve balance, however, separate records must be maintained and be identifiable by academies for future uses. Any sinking funds must be agreed annually by Trustees.

Cash Flow

Cash flow forecasts are to be prepared for all academies and consolidated into a trust forecast.

Budget Changes / Virement

The COO is responsible for submitting all requests where net budget remains unchanged to that approved by Trustees to the Finance and General Purposes Committee for consideration. Where a budget change requires reserves being increased/decreased, all changes will be shared with Trustees.

Business and pecuniary interests

The Trust must comply in full with ESFA AFH requirements with regard business and pecuniary interests (See Appendix B). The Trust's register of interests must capture and publish relevant business and pecuniary interests of members, trustees, Local Governing Bodies of academies and senior employees. If in doubt the presumption should be towards including an interest in the register.

Cash Advance - Petty Cash

The COO shall make available to academies such amounts as they consider necessary for the disbursements of petty cash expenses. However, it is important for security purposes that petty cash floats are kept to a minimum and stored safely at the local sites.

Petty cash reconciliations must be included within the monthly management accounts produced by an academy.

The purchase of minor goods or services can be made from petty cash. The cumulative total is set at £25. Staff expenses and reimbursement must be made via BACS and never petty cash.

The cumulative limit of £25 has been set against improved freedoms and flexibilities offered by the bank cards and internet options established by the Trust. The bank facilities provide greater internal controls and reduce significantly the threat of fraud and theft.

Cash Advance - Trips and Overseas Travel

Where such purchases by staff are planned and a journey cost plan drafted, the COO and CEO may approve cash advances to staff who are going to incur expenditure on NLT's behalf.

The limit of the cash advance should be reasonable based on the destination, number of students attending, time away and any other special mitigating factors.

Upon completion of the travel or project to which the advance relates, within one month a final account must be prepared by the trip or project lead to demonstrate how the advance was disbursed and any unspent balance repaid. Receipts must be provided for all transactions with the COO or CEO entitled to recharge the expense to the staff member responsible for the fund / cash advance.

Under no circumstances will a second advance be approved when the final accounting for an earlier advance to an individual is still outstanding.

Clothing

Where clothing is provided to employees whose duties require them to wear a uniform, that clothing must bear a NLT or academy logo. The logo must be permanent and clearly identify the wearer as a member of staff.

Contractors

Where an academy decides that they wish to engage with a contractor, whom is operating as a single employee of an organisation, but wishes to work off-payroll, the academy must first check the employment status of the worker using the following link on the HMRC website:

https://www.tax.service.gov.uk/check-employment-status-for-tax/setup

If it is determined from the test, that the contractor should be paid through payroll, then under no circumstances should the contractor be engaged and be reimbursed through the form of invoice payment. The Academy should request approval from the CEO and await approval before bringing the contractor onto payroll.

Creditors - Payment of invoices

The COO is responsible for deciding the most appropriate method of payment for categories of invoice. Payments to UK suppliers will normally be made by BACS or Bank transfer. In exceptional circumstances and approval by the Principal the COO will prepare cheques manually for urgent payments.

Principals are responsible for ensuring that expenditure within their academies does not exceed funds available. Care must be taken to ensure that discounts receivable are obtained.

Payments will only be made by the COO against invoices that can be matched to a receipted order or have been certified for payment by the appropriate Principal or member of staff on the approved Financial Scheme of Delegation.

Certification of an invoice or receipting of an electronic order will ensure that:

1. The goods have been received, examined and approved with regard to quality and quantity, or that services rendered or work done is satisfactory
2. Where appropriate, it is matched to the order
3. Invoice details (quantity, price discount) are correct
4. The invoice is arithmetically correct
5. The invoice has not previously been passed for payment
6. An appropriate cost centre and nominal code is quoted. This must be one of the cost centre and nominal codes included in the budget holder's areas of responsibility and correspond with the types of goods / service on the invoice.

Creditors - Procurement, Tenders and quotations

At all times NLT requires all budget holders, irrespective of the source of funds, to obtain Value for Money (VfM) on the purchase and delivery of goods and services.

Where an order is raised that is material (i.e. greater than £1,000) the Trust's register of interests must be consulted to ensure that no related party transactions take place. If it is likely that a related party transaction will exist from the order being raised then the COO must be consulted prior to the order being raised. The COO will produce a termly report to the Finance and General Purposes Committee confirming or denying such transactions exist.

Officers and delegated budget holders must comply with the levels of approval in the Scheme of Delegation and NLT's tendering procedures, which are applicable as follows:

Revenue and Capital			
Delegated Duty	**Value**	**Delegated Authority NB – in the absence of a specified role the authority to act can be a more senior officer**	**Comment**
	Up to £9,999	Academy Principal Chief Operating Officer Chief Executive Officer	If within approved budget level: • Orders up to £3,000, at least one quotation, written or verbal. • Orders over £3,001 and up to £9,999 require 3 written quotations attached to the Requisition and Purchase Order. •
Ordering goods and services	£10,000 - £39,999	Academy Principal Chief Operating Officer (Countersigned by the Chief Executive Officer) Chief Executive Officer	If within approved budget level: • Orders over £10,000 and up to £39,999 require 3 written quotations attached to the requisition and purchase order.
	£40,000 and above	Trustees	Full tendering procedures to be followed if within approved budget level. Contracts over EU thresholds for the time being (for guidance refer to http://www.ojec.com/thresholds.aspx) to follow a complaint process under the Public Contracts Regulations 2006 and subsequent legislation.
	Authority to accept other than lowest quotation or tender	The above limits are based on the principles of value for money. If the lowest quotation is not taken then a written explanation must be attached with the quotes received to the PO.	

In instances where there is only one supplier for the required product or service, such as examination fees, the delegated authority limits still apply. However, the single quotation must be accompanied by an appropriate note (authorised by an approved signatory) justifying why there is only one supplier used and demonstrating that Value for Money is upheld.

Only partnership arrangements for the supply of goods or services specifically approved by the Finance and General Purposes Committee or the Trust Board will fall outside these arrangements for tenders and quotations.

Creditors - Purchase orders

Orders must be placed for the purchase of all goods or services, except those made using petty cash for minor amounts (minor amounts and a limit on petty cash is deemed to be a cumulative total for the reimbursement or expense of £25).

For the avoidance of doubt, all expenditure in relation to capital must be supported by a P.O. and guidance followed regarding tendering.

In exceptional circumstances, urgent orders may be given orally but must be confirmed by an official purchase order endorsed 'confirmation order only' no later than the following working week.

Creditors - Receipt of goods and services

All goods shall be received at designated receipt and distribution points. They shall be checked for quantity and/or weight and inspected for quality and specification. A delivery note shall be obtained at the time of delivery and signed by the person receiving the goods.

If the goods are deemed to be unsatisfactory the record shall be marked accordingly and the supplier immediately notified so that they can be collected for return as soon as possible. Where goods are short on delivery the record should be marked accordingly and the supplier immediately notified.

Creditors – Tenders

All goods or services ordered with a value over £40,000 must be subject to formal tendering procedures.

There are three forms of tender procedure that should be followed, which along with the circumstances in which each procedure should be used, are described below:

1. Open Tender: This is where all potential suppliers are invited to tender. The budget older must discuss and agree with the PFO 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

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

   (i) there is a need to maintain a balance between the contract value and administrative costs

   (ii) a large number of suppliers would come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the Academy's requirements; or

   (iii) the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering

3. Negotiated Tender: The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances as follows:

   (i) the above methods have resulted in either no or unacceptable tenders

   (ii) only one or very few suppliers are available

   (iii) extreme urgency exists; or

(iv) additional deliveries by the existing supplier are justified

When preparing for tender full consideration should be given to:

1. objective of project
2. overall requirements
3. technical skills required
4. after sales service requirements: and
5. 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.

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:-

1. introduction/background to the project
2. scope and objectives of the project
3. technical requirements
4. implementation of the project
5. terms and conditions of tender; and
6. form of response

There are many aspects to consider when evaluating the quotations received under tender, as follows:

Financial

1. 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.
2. Care should be taken to ensure that the tender price is the total price and that there are no hidden or extra costs.
3. Is there scope for negotiation?

Technical and suitability

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

Other considerations

1. Pre sales demonstrations

2. After sales service; and

3. 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 examine audited accounts, take up references etc

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.

All tenders submitted should be opened at the same time and the tender details should be recorded. A minimum of two persons should be present for the opening of tenders.

A separate record should be established to record the names of the firms submitting tenders and the amount tendered.

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 details of current tenders should be disclosed at the F&GP termly meeting.

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

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

Employing individuals related to Board of Trustees

In the event of a Member or Trustee's relative being employed, a transparent and fair recruitment process must be followed. All appointments will be made on the instructions set out in the scheme of delegation which are in accordance with best practice and statutory requirements.

Financial Reporting – Monthly Management Accounts, Budget Forecast & VAT Return

The Board of Trustees must comply in full with the Financial Planning, monitoring and reporting requirements set out be the ESFA in the ATH (See Appendix B)

The Trust Central Services Finance Team will provide at the start of each academic or academy financial year detailed guidance and a timetable for the coming twelve months. The timetable will prescribe detailed deadlines within each month that need to be completed on the agreed financial reports that again will be prescribed by the Central Finance Team.

The main financial reports to be drafted each month are;

1. Management Accounts I.e. Statement of Financial Position and Income Statement

2. Budget Forecast i.e. forecast to 31st August with details of variances to budget

3. VAT Return (see specific guidance on tax)

The control of income and expenditure within the Trustee agreed budget is the responsibility of the Principal, who must ensure that day-to-day monitoring is undertaken effectively. Significant departures from agreed budgetary targets must be reported immediately to the COO and CEO and, if necessary, corrective action taken.

Financial Reporting - Annual Consolidated Financial Statements of the Trust

The Board of Trustees must comply in full with the financial reporting and audit requirements set out by the ESFA in the ATH (See Appendix B).

In summary, the main points to note are;

1. NLT's financial year will run from 1 September until 31 August the following year

2. The consolidated financial statements are to be prepared on historical costs in accordance with accounting standards, academies accounts direction and charities Statement of Recommended Practice (SORP), subject to any specific requirements of the funding body, and in accordance with the provisions of the Companies Act legislation

3. New land and buildings will be recorded in the balance sheet at actual build or acquisition cost, except where they are received as gifts, where they will be recorded at depreciated replacement value. Buildings will be depreciated over their estimated remaining useful life. Land, building and improvements will be recorded in the balance sheet where the acquisition cost is £7,000 or more. Land will not be depreciated

4. Works of art and other valuable artefacts (heritage assets) valued over £3,000 are capitalised and recognised at the cost or value of the acquisition where the cost or valuation is reasonably obtainable. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material

5. Expenditure incurred on the acquisition of assets other than land and buildings will be recorded in the balance sheet where the acquisition cost per item is £3,000 or more. Assets are to be written off in both the year of acquisition and disposal therefore calculating the monthly amount of depreciation to be charged

6. Depreciation is provided on the cost of tangible fixed assets other than freehold land and assets under construction, at rates calculated to write off the cost of these assets, less their estimates residual value, over their expected useful lives on the following bases:

   a. Long term leasehold property – 15 years straight line

   b. Long term leasehold land – 125 years straight line

   c. Fixtures and Fittings – 5 years straight line

   d. Motor Vehicles – 5 years straight line

   e. Computer equipment – 3 years straight line

Fundraising

The Trust encourages wider student opportunities across all of its academies with the Trust approach to funding some of these trips and events coming from fundraising activities.

The Trust does not work with or use any commercial participators or professional fundraisers. All funds from fundraising are recorded in the financial ledger and Trust bank account and any activities and funds received are monitored by the academy principal. Any complaints regarding fundraising should be referred to the Trusts complaint policy. The Trust does not promote any intrusive or persistent fundraising approaches and wished to ensure the safeguarding and protection of the public including vulnerable people.

Gifts or Hospitality – Received by NLT Trustees, Local Governing Bodies and Staff

The Bribery Act 2010 introduced new offences for acts of bribery by individuals, or persons associated with relevant organisations. The penalties are severe for any employee convicted under the Act, which could mean a criminal record with ten years' imprisonment and unlimited fines. The guiding principles to be followed by all members of staff:

1. Conduct should not create suspicion of any conflict between their official duty and their private interest

2. Their actions in both an unofficial and official capacity should not give the impression (to any member of the public, to any organisation with whom they deal or to their colleagues) that they have been (or may have been) influenced by a benefit to show favour or disfavour to any person or organisation

3. Staff should not accept any gifts, rewards or hospitality (or have them given to members of their families) from any organisation or individual with whom they have contact in the course of their work that would cause them to reach a position whereby they might be, or might be deemed by others to have been, influenced in making a business decision as a consequence of accepting such hospitality

4. The frequency and scale of hospitality accepted should not be significantly greater than NLT would be likely to provide in return

5. When it is not easy to decide between what is and is not acceptable in terms of gifts or hospitality, the offer should be declined or advice sought from the COO or CEO

For the protection of all staff and Trustees, the COO will maintain and publish a register of gifts and hospitality received where the value is in excess of £100. Members of staff in receipt of such gifts or hospitality are obliged to complete the register in Appendix F.

Gifts or Hospitality – Given by NLT Trustees, Local Governing Bodies and Staff

Staff entertaining guests from outside bodies, must provide reasons for the meeting / event when submitting a claim (with receipts) for reimbursement. The Bribery Act 2010 outlines the limits concerning acceptable expenditure for entertaining guests based upon them largely being "reasonable" and therefore similar in cost and frequency to both parties.

I.T. purchases

All purchases of I.T. equipment are to be discussed and, where necessary, procured through the Trust Central Services IT Team, so as to achieve the best value on equipment and ensure that specifications with regards to equipment are met.

Income

The COO is responsible for ensuring that appropriate procedures are in operation to enable KSAT to receive all income to which it is entitled.

It is the responsibility of all staff to ensure that revenue to NLT is maximised by the efficient application of agreed procedures for the identification, collection and banking of income. In particular, this requires the prompt notification to the COO of sums due so that collection can be initiated.

All monies received within academies from whatever source must be recorded by the department on a reasonable basis together with the form in which they were received, for example cash, cheques and other negotiable instruments.

All monies received must be paid to the cashier promptly and the custody and transit of all monies received must comply with the requirements of NLT's insurers.

Income collection is to be undertaken by an approved contractor and monies should not be transported by staff for any reason.

Income Collection, Recovery and Debt Write-Offs

The Trust Central Services Finance Team should ensure that:

1. Debtors invoices over £100 in value are raised promptly on official SAGE invoices
2. invoices are prepared with care, recorded in the ledger, show the correct amount due and are credited to the appropriate income account
3. VAT is correctly charged where appropriate, and accounted for
4. Monies received are posted to the correct debtors account
5. Swift and effective action is taken to collect overdue debts
6. Outstanding debts are monitored and reports prepared for management

The credit arrangements for all types of invoice to be paid is 30 days from the date of the invoice, unless a payment plan has been agreed with the COO.

Delegated limits to write off debts must be considered in conjunction with the guidance given in the Academies Trust Handbook (See Appendix A and B).

Debts under £300 may be written off by the COO. Where a credit note is required to be processed to offset any whole or part debt that has been raised this must be approved by a separate individual to who raised the initial debtors invoice. Debts over £300 would be referred to the Trust's Finance and General Purposes Committee to be considered.

Insurance

The COO is responsible for NLT's insurance arrangements, including the provision of advice on the types of cover available. As part of the overall risk management strategy, all risks are considered and those most effectively dealt with by insurance cover will have been identified.

The Principal is responsible for keeping suitable records of plant which is subject to inspection by an insurance company and for ensuring that inspection is carried out in the periods prescribed. All staff using their own vehicles on behalf of NLT shall maintain appropriate insurance cover for business use.

Intellectual Property Rights and Patents

Certain activities undertaken within NLT including research and consultancy may give rise to ideas, designs and inventions which may be patentable. These are collectively known as intellectual property. The remit of the Finance and General Purposes Committee is therefore

1. Considering and approving any patents accruing to NLT from inventions and discoveries made by staff in the course of their research

2. The discussion and approval of NLT deciding entering into any commercial exploitation of inventions and research.

Staff and Presents

The purchase of Gifts and flowers up to a maximum value of £25 for staff and members of the Local Governing Body only is permitted if the payment / receipt is approved by the Academy Principal, COO, or CEO.

Staff reimbursement

NLT's purchasing and payments procedures are in place to enable the majority of non-pay supplies to be procured through the creditors system without staff having to incur any personal expense.

However, on occasions staff may incur expenses, most often in relation to travel and accommodation, and are entitled to reimbursement.

Reimbursement of all staff expenses, excluding mileage, will be reimbursed via creditors to the bank account of the staff member.

Mileage expenses are reimbursed via payroll.

Taxation

The COO is responsible for advising the Trust on all taxation issues, in the light of guidance issued by the appropriate bodies and relevant legislation as it applies. Therefore, the COO will issue instructions to academies on compliance with statutory requirements including those concerning VAT, PAYE, National Insurance and corporation tax.

Treasury Management and Investment policy

The Finance and General Purposes Committee is responsible for approving an Investment Policy and has on-going responsibility to ensure monitoring and review of any investment.

All borrowing shall be authorised by the Finance and General Purposes Committee and undertaken in the name of NLT and shall conform to any relevant funding body requirements.

Investments should be made to further the trust's charitable aims, but must ensure that investment risk is properly managed. The investment objectives based on prudence are;

1. To achieve best financial return available whilst ensuring that security of deposits takes precedence over revenue maximisation

2. Only invest funds surplus to operational need based on all financial commitments being met without the Trust bank account becoming overdrawn

3. By complying with this policy, all investment decisions should be exercised with care and skill and consequently be in the best interests of the Academy, commanding broad public support

Volunteers Payments

It is the responsibility of the Principal to ensure that payments made to volunteers are correctly administered. NLT allows two types of payment from an approved budget:

1. Reimbursement of actual travel costs only when fully supported by receipts

2. A small gift or thank you payment as long as it is clearly a token of appreciation, not compensation or alcohol, and there is no sense that those goods, vouchers or cash are expected in advance

APPENDIX A

ACADEMY TRUST HANDBOOK – FREEDOMS AND FLEXIBILITIES

Summary of freedoms and delegations

5.65 This summary is not a substitute for the full handbook. Trusts' delegated authorities are subject to the conditions in section 5.560. Trusts under a financial notice to improve will have their delegated authorities revoked under section 6.121.

Novel, contentious and repercussive	Novel, contentious and repercussive transactions	ESFA agreement required [5.5]
Special payments	Staff severance and compensation	ESFA agreement required if £50,000 or more before tax [5.10 and 5.15].
	Ex gratia payments	ESFA agreement required [5.17]
Write-offs and liabilities (subject to £250,000 ceiling)	Writing-off debts and losses Entering into guarantees, indemnities or letters of comfort	ESFA consent required if exceeds: • 1%of annual income or £45,000 individually; or • 2.5%or 5%of annual income cumulatively [5.19 and 5.120]
Acquisition and disposal of fixed assets	Acquiring freehold land/buildings	ESFA agreement required [5.23]
	Disposing of a freehold on land/buildings	ESFA agreement required [5.23]
	Disposing of heritage assets	ESFA agreement required [5.23]
	Other disposals	Trust has full discretion [5.24]
Leasing	Taking up a finance lease	ESFA agreement required [5.25]
	Taking up a leasehold on land and buildings	ESFA agreement if lease term seven years or more [5.26].
	Taking up any other lease	Trust has full discretion [5.27]
	Granting a lease on land and buildings	ESFA agreement required [5.26].
GAG	GAG carry forward	No limits if trust eligible [5.29].

	Pooling by MATs	No limits (except PFI) if trust eligible [5.30].
Borrowing	Loan, overdraft	ESFA agreement required [5.33]
	Credit cards (for business use)	Trust has full discretion provided charges not incurred [5.33]
Related party transactions	Supplies to the trust from related parties	ESFA agreement required over £20,000 and over associated limits in 5.42.

APPENDIX B

ACADEMY TRUST HANDBOOK - SCHEDULE OF "MUST" REQUIRMENTS

Part 8: Schedule of requirements (the 'musts')

The requirements in the handbook brought together into one list: the '**musts**'. It abbreviates these requirements and so cannot be used as a substitute for the full handbook. Links to the relevant sections are included, which **must** be read in full.

Top 10 'musts' for chairs and other trustees

Personal responsibilities

- Apply highest standards of conduct and ensure robust governance, comply with charitable objects, with **duties as company directors,** with charity law and the funding agreement [1.13 and 1.14]

Structures

- Ensure the board of trustees **meets at least three times a year**, and conducts business only when quorate [2.3]
- Approve a written **scheme of delegation** of financial powers [2.4]

Relationships

- **Manage conflicts of interest,** be even-handed with **related parties**, and ensure goods or services provided by them are at **no more than cost,** beyond the limits in this handbook [5.35 to 5.59]

Money and oversight

- Ensure the board approves a **balanced budget** for the financial year and minutes their approval [2.10]
- Share **management accounts** with the chair of trustees monthly, with the other trustees six times a year, and consider when the board meets, taking action to maintain financial viability [2.19 and 2.20]
- Ensure decisions about **executive pay** follow a robust evidence-based process reflecting the individual's role and responsibilities, and that the approach to pay is transparent, proportionate and justifiable [2.30 and 2.31]
- Appoint an **audit and risk committee** (either dedicated or combined with another committee) to advise on the adequacy of the trust's controls and risks [1.24 and 3.6 to 3.14]

Accountability and audit

- **Submit audited accounts** to ESFA by 31 December [4.4]
- Ensure an appropriate, reasonable and timely response to **findings by auditors**, taking opportunities to strengthen financial management and control [4.16]

Roles and responsibilities

- Adhere to **The 7 principles of public life**
- Have the **skills, knowledge and experience** to run the trust [1.1]

- Have at least three **members**, although the Department's strong preference is for five [1.3]
- Have suitability checks in place for members to ensure they are not subject to a direction under section 128 of the Education and Skills Act 2008 [1.4]
- Not have employees as **members,** nor have members occupy staff roles on an unpaid voluntary basis [1.5]
- Ensure **regularity, propriety and value for money** [1.121, 1.38 and 2.7]
- Trustees to take ownership of financial sustainability and ability to operate as **a going concern** [1.21]
- Ensure **committees** contain a majority of trustees [1.25]
- Not have **de facto trustees** or **shadow directors** [1.26]
- Include a review of the trust's **governance structure** and board composition in the governance statement when producing audited accounts for the first time [1.28]
- Appoint a senior executive leader (should be **principal or chief executive**) [1.233]
- Appoint an **accounting officer** (the senior executive leader) with responsibility for **regularity, propriety and value for money** and for **assuring the board** about compliance with the funding agreement and handbook [1.234 to 1.44]
- Demonstrate in the governance statement how the trust has secured **value for money** [1.41]
- Include a **statement on regularity, propriety and compliance**, signed by the accounting officer, in the audited accounts [1.341 and 4.13]
- Appoint a **chief financial officer** to lead the finance department [1.36]
- Have appropriately qualified and/or experienced **finance staff** [1.346]
- Appoint a **governance profession** (clerk to the board) [1.49]
- Arrange DBS checks as appropriate [1.51and 1.52]

Main financial requirements

- Maintain robust **oversight** of the trust [2.1]
- Take responsibility for **financial affairs**, stewardship of assets and use resources efficiently [2.2]
- Describe in the governance statement how the board has maintained **effective oversight** if meeting less than six times a year [2.3]
- Have **sound internal control,** risk management and assurance processes [2.6]
- Establish a **control framework** that includes:
  - ensuring **delegated financial authorities** are complied with, and **segregation of duties** maintained
  - co-ordinating the **planning and budgeting process**
  - discipline in financial management, including managing **debtors, creditors, cash flow and monthly bank reconciliations**

- planning and oversight of **capital projects**
    - management and oversight of **assets** including maintenance of a fixed asset register
    - **regularity, propriety and value for money**
    - reducing **fraud** and theft
    - **independent checking** of controls, systems, transactions and risks
    - a competitive **tendering** policy [2.7 and 2.28]

- Prepare and monitor **financial plans** to ensure the trust remains a **going concern** and ensure rigour and scrutiny in budget management [2.8 and 2.9]
- Ensure **budget forecasts** are accurate, based on realistic assumptions and reflective of lessons learned from previous years [2.11]
- Submit a **budget forecast return outturn** and 3-year **budget forecast return** to ESFA [2.15 and 2.16]
- Notify ESFA within 14 days if proposing 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 [2.17]
- Prepare **management accounts every month** and take appropriate action. Measure **key financial performance indicators** regularly and analyse in annual trustees' report [2.18, 2.21 and 2.22]
- Manage **cash position** robustly and avoid becoming overdrawn [2.24]
- Have a cautious approach to **investments** in line with the handbook principles [2.25]
- Show that public funds have been **used as intended** by Parliament [2.27]
- Publish on the trust's website the number of employees whose **benefits exceeded £100k**, in £10k bandings [2.32]
- Ensure senior employees' **payroll arrangements** meet HM Treasury's tax requirements [2.34]
- Not use trust's funds to purchase **alcohol** for consumption, except where it is to be used in religious services [2.35]
- Charge for **boarding provision** in line with this handbook [2.37]
- **Manage risks**, including contingency and business continuity planning and maintain a risk register. Board to retain oversight of risk and review risk register at least annually [2.38 and 2.39]
- Have adequate **insurance** or be a member of DfE's risk protection arrangement [2.40]
- Implement reasonable risk management **audit recommendations** [2.42]
- Have procedures for **whistleblowing** and respond properly and fairly [2.43 to 2.48]
- Be **transparent** with governance arrangements [2.49]
- Publish the trust's **governance arrangements** in its governance statement and in a **readily accessible form** on its website [2.50]
- Ensure governance documents are available for public inspection [2.51]
- Provide ESFA or its agents with **information** of sufficient quality to meet funding requirements [2.55]

- Notify DfE via Get information about schools within 14 days of changes in information about members, trustees, local governors, chair of trustees, chairs of local governing bodies, accounting officer and chief financial officer [2.54 to 2.58]

Internal scrutiny

- **Check financial and non-financial controls and risks** [3.1 to 3.5]
- Oversee controls and risks at **constituent academies** [3.13]
- Ensure **information submitted** to DfE and ESFA affecting funding is accurate and compliant [3.14]
- Internal scrutiny must be viewed in the same way as internal audit [3.20]
- Ensure checks are conducted by someone **independent,** suitably **qualified and experienced** [3.15 to 3.21]
- Provide **internal scrutiny reports** to the audit and risk committee and make the **findings** available to all trustees promptly [3.15 and 3.16]
- Confirm in the governance statement which **internal scrutiny** option has been applied and why [3.22]
- Provide **annual summary** of internal scrutiny to ESFA by 31 December, and provide other internal scrutiny reports on request [3.23]

Annual accounts and external audit

- **Produce audited accounts, publish** on the trust's website by 31 January and file with Companies House [4.1 to 4.4]
- **Appoint an external auditor** in writing, for the annual accounts [4.5 and 4.6]
- Put any **additional services** from the external auditor in a separate letter of engagement [4.6]
- Provide in the audit contract for the **removal of external auditors** [4.7]
- Notify ESFA immediately of the **removal or resignation of external auditors**, and the reasons [4.8]
- Prepare information, at DfE's request, for the **sector annual report and accounts** [4.9 and 4.10]
- Include a **review of the accounting officer's statement on regularity, propriety and compliance** within the external auditor's remit, and address the **auditor's conclusions on regularity** jointly to the trust and ESFA [4.15]

- **Audit and risk committee** to review the external auditor's plan, annual accounts, audit findings, management response and effectiveness of the external auditor and produced annual report of conclusions [4.17]

Delegated authorities

Obtain ESFA's prior approval for transactions **beyond the trust's delegated** limits [5.1]

Make **financial disclosures** in the annual accounts in line with this handbook [5.2 and 5.3]

- Refer **novel, contentious and/or repercussive transactions** to ESFA for approval [5.5]
- For **staff severance payments**, consider the following before committing:
  - whether the proposed payment is in the **trust's interests**;
  - whether payment is **justified and value for money**, based on a legal assessment
  - review the **level of settlement**, which **must** be less than the legal assessment of what the relevant body (e.g. employment tribunal) is likely to award [5.8]
- Obtain ESFA's approval for the **non-contractual/non-statutory element** of a **staff severance payment** of **£50,000** or more (gross, before deductions) [5.10]
- Not accept a settlement for a **staff severance payment** unless satisfying the conditions in this handbook [5.11]
- Obtain prior approval for staff severance payments of £100k or more which include a non-statutory / non-contractual element, and / or where the employee earns over £150k [5.12].
- Ensure **confidentiality clauses** do not prevent an individual's right to make **disclosures in the public interest** [5.13]
- For **compensation payments**, base on appraisal, including legal advice, ensuring value for money [5.14]
- Obtain ESFA's approval for **non-contractual/non-statutory compensation payments** of **£50,000** or more [5.15]
- Obtain ESFA's approval for **ex gratia payments** [5.18]
- Obtain ESFA's approval for **writing off debts and losses**, **guarantees, letters of comfort and indemnities** beyond limits in this handbook [5.19 and 5.20]
- Obtain ESFA's approval, before **acquiring and disposing of fixed assets** beyond limits in this handbook and ensure **disposal** achieves **best price** [5.23 and 5.24]
- Obtain ESFA's approval for **leases** beyond limits in this handbook [5.26 to 5.28]
- Not **pool PFI** funding across a trust with multiple academies [5.30]
- Consider the funding needs of individual academies if **pooling GAG**, and have an appeals mechanism [5.31]
- Ensure **gifts** by the trust have the decision documented, and have regard to propriety and regularity [5.32]
- Obtain ESFA's approval before **borrowing**, including finance leases and overdrafts, and only use credit cards for business expenditure [5.33]
  Ensure no member, trustee, local governor, employee or related individual or organisation uses their connection to the trust for **personal gain** [5.36]

  Ensure **no payments to trustees** unless permitted by the articles and comply with the terms of any agreement with the Secretary of State [5.36]
- Obtain Charity Commission approval for **paying a trustee for acting as a** trustee [5.36]
- Ensure the board chair and the accounting officer manage their relationships with related parties to **avoid real and perceived conflicts of interest** [5.38]

- Recognise that **related party transactions** may attract **public scrutiny** and require sufficient disclosure in annual accounts to support **accountability and transparency** [5.39 and 5.40]
- **Report all contracts and other agreements with related parties** to ESFA in advance [5.41]
- Obtain ESFA **approval for contracts and other agreements with related parties** beyond limits in this handbook [5.42 to 5.44]
- Capture in an up to date **register of interests** the relevant business and pecuniary interests of **members, trustees, local governors** and **senior employees** [5.45] and interests of other individuals as described in 5.46
- **Publish relevant business and pecuniary interests** of members, trustees, local governors and accounting officers [2.50 and 5.48]

The regulator and intervention

- Arrange for **letters to trusts' accounting officers** from ESFA's accounting officer about the accountability framework to be discussed by the board and, where appropriate, strengthen the trust's systems [6.2]
- Provide ESFA with **access** to books, records, information, explanations, assets and premises to assist with its audits [6.4]
- Provide ESFA with permission for any third party to provide requested information where there are concerns or an investigation is ongoing at a trust [6.5]
- **Retain records** for at least six years after the period to which funding relates [6.6]
- Send ESFA a **financial management and governance self-assessment** for new academy trusts, or constituent academies joining an existing trust [6.7]
- Submit **school resource management self-assessment tool** to ESFA annually [6.9]
- Be aware of the risk of **fraud, theft and irregularity** and address with proportionate controls and appropriate action [6.11]
- Notify ESFA of **fraud or theft** over £5,000, individually or cumulatively, or of any value where unusual or systematic [6.12]
- Be aware of the risk of **cybercrime** and put in place appropriate controls and appropriate action where a cyber security incident has occurred [6.16]
- Obtain permission from ESFA before paying any **cyber ransom demands** [6.17]
- Comply with a **Financial Notice to Improve** [6.18 and 6.20]
- Publish the **FNtI** on the trust's website until it is lifted [6.19]

Waive delegated authorities and obtain ESFA approval of certain transactions described in this handbook if the trust has an FNtI [6.21]

Cooperate with **NAO** and provide help, information and explanation [6.29]

APPENDIX C

LEASE AGREEMENT – CHECKLIST AND CLARIFICATION OF LEASE TYPE

When it comes to determining the most appropriate equipment leasing strategy understanding the main differences between a finance lease and an operating lease is essential. In both cases, the assets or equipment is legally owned by the lessor during the lease term, with rentals paid by the school in order to use the equipment. There are however key differences that you need to know about and this factsheet outlines those.

Operating Lease:

1. An Operating Lease requires the school to pay only a proportion of the capital value of the equipment and over a shorter agreement term, classed usually as the equipment's 'useful economic life.'
2. With an operating lease you will only finance a percentage of the total cost of the equipment over the term of the lease, as the provider of the finance must retain a proportion of the original cost, known as the Residual Value
3. As part of the current accountancy regulations, the funder is required to take 'sufficient risk' in the lease. Most auditors will use the '90%test' to establish this. This is not written in to current regulations but is a good guideline. What it means is the lease rentals paid under the primary lease must not exceed 90%of the original capital cost. When working out the '90%test' auditors exclude the interest to work out how much capital is being repaid – it's important not to simply add up your rentals
4. The length of the agreement should not exceed the expected 'useful economic life' of the equipment (equipment such as MFDs and photocopiers typically have a useful life of 3-4 years). If you are offered longer, consider the expected whole life of the asset and lease for a term which represents a proportion of this
5. At the end of the agreed lease term, the school can choose to either return the equipment or continue with the rental agreement but be mindful of the point above on "useful life" of equipment. The ownership of the asset should remain with the leasing company. There should be no option for the school to gain ownership of the asset at any time.
6. The leasing company might retain responsibility for maintenance
7. Payments are shown on the profit and loss account and not the balance sheet due to the nature of the payments
8. Further details of an operating lease can be found under the relevant accountancy regulation SSAP 21 Accounting for leases and hire purchase contracts. Note that for any accounting periods commencing on or after 1 January 2015, this standard will be replaced by the new UK standard, FRS 102. The impact of this in relation to leases will be minimal. FRS 102 takes a risks and rewards approach to the classification of leases, as does SSAP 21, however under FRS 102, the 90%test noted above is no longer relevant

Finance Lease:

1. The finance company or lessor is the legal owner of the asset yet will permit the school to have use of that asset during the lease, paid for via a series of rentals or instalments over an agreed term

2. A finance lease is a form of borrowing, where 100%of the capital plus interest is repaid during the primary term

3. The school has the option to keep the asset by either paying the last rental or in some cases, paying a nominal fee or a significantly reduced purchase price

4. Under a finance lease, the school repays rentals over the term of the lease but the rentals are not discounted. During the lease term the total rentals will normally cover the value of the asset

Questions to be considered in advance of entering into an agreement and shared with the COO when submitting the agreement for approval;

<table>
<tr><th colspan="4">NORTHERN LEADERS TRUST - Type of Lease Agreement Assessment</th></tr>
<tr><td>Company Name item is being purchased from</td><td colspan="3"></td></tr>
<tr><td>Item Being Purchased</td><td colspan="3"></td></tr>
<tr><td>Completed By and date</td><td colspan="3">Name: Date:</td></tr>
<tr><td>Question</td><td>Please enter section of Lease agreement being considered</td><td colspan="2">Answer based on the relevant section of the Lease Agreement</td></tr>
<tr><td>Does the lease transfer ownership of the asset to the lessee (i.e. the school) by the end of the lease term?</td><td></td><td>Yes - finance lease</td><td>No - operating lease</td></tr>
<tr><td>Does the lessee have the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised?</td><td></td><td>Yes - finance lease</td><td>No - operating lease</td></tr>
<tr><td>Is the lease term for the major part of the economic life of the asset, even if title is not transferred?</td><td></td><td>Yes - finance lease</td><td>No - operating lease</td></tr>
<tr><td>At the inception of the lease does the Net Present Value of the minimum lease payments amount to at least substantially all of the fair value of the leased asset?</td><td></td><td>Yes - finance lease</td><td>No - operating lease</td></tr>
<tr><td>Are the leased assets of a specialised nature such that only the lessee can use them without major modifications being made?</td><td></td><td>Yes - finance lease</td><td>No - operating lease</td></tr>
<tr><td>If the lessee is entitled to cancel the lease, are the Lessor's losses associated with the cancellation borne by the lessee?</td><td></td><td>Yes - finance lease</td><td>No - operating lease</td></tr>
<tr><td>Do any gains or losses from fluctuations in the fair value of the residual fall to the lessee (e.g. in the form of a rebate equalling most of the sales proceeds at the end of the lease)?</td><td></td><td>Yes - finance lease</td><td>No - operating lease</td></tr>
<tr><td>Does the lessee have the ability to continue to lease for a secondary period at a rent that is substantially lower than market rent?</td><td></td><td>Yes - finance lease</td><td>No - operating lease</td></tr>
</table>

Are you responsible for maintaining and insuring the asset?		Yes - finance lease	No - operating lease

APPENDIX D

ANTI FRAUD, CORRUPTION AND BRIBERY – FRAUD RESPONSE PLAN

Introduction and Definitions

The Bribery Act 2010 allows prosecutors to respond more effectively to the following offences:

- To make or receive a bribe
- Bribery of a foreign public official
- Corporate offence of failing to prevent bribery

Bribery is defined as "the offering, promising, giving, accepting or soliciting of money, gifts or other advantage as an inducement to do something that us illegal or breach of trust in the course of carrying out organisations activities.

Fraud can be defined as "any act of wilful dishonesty to gain individual or collective advantage. It is taken to include theft, misuse of property, corruption, the alteration of financial or other records or any unauthorised act which results directly or indirectly in financial gain to the perpetrator or a third party".

NLT Principles Supporting the Bribery Act

The two principles adopted by NLT are: NLT commits to a policy of zero-tolerance of bribery in any form and secondly will implement policies to counter bribery, including:

1. High-level commitment

   The Board of Trustees and senior management should commit to and oversee the implementation of a policy of zero-tolerance, recognising that bribery is contrary to fundamental values of integrity, transparency and accountability and undermines organisational effectiveness.

2. Risk assessment

   Bribery risk assessment should form part of each organisation's overall and ongoing risk management process. Internal and External Audit are key to this assessment.

3. Devise and implement robust anti-bribery procedures

   Organisations should devise, implement and maintain robust procedures, which are proportionate to the risks and to the size, resources and complexity of the organisation.

   A "financial advantage" could include corporate hospitality. The statutory guidance suggests that it will not amount to a bribe provided that the hospitality: has a legitimate business aim (including developing relationships) is reasonable, proportionate and appropriate in the circumstances (including with reference to what is normal in the particular industry)

4. Due-diligence assessment of partners, agents and contractors

   Assess the bribery risk associated with entering into partnership or contracting arrangements with other entities and then carry out periodic due diligence based on that risk assessment. Partnership or contractual arrangements should check that these organisations have policies and procedures which are consistent with these Principles and Guidance.

5. Dissemination and communication

   To establish effective internal and external communication of its policy and procedures. NLT will undertake training and awareness programmes to ensure staff, agents and partners are aware of the potential risks, how bribery might affect them, what they should do if they are offered a bribe, and the consequences should they be found to have made or received a bribe.

6. Monitoring and evaluation

   Implementation of anti-bribery procedures should be monitored as part of overall risk management and internal control processes. Periodic reviews of anti-bribery procedures should be made and reported as part of governance and accountability processes.

7. Collective action

   The organisation should commit to sharing information and strengthening collective action to prevent bribery.

Fraud Response Plan

Reporting the Fraud

All actual or suspected incidents of fraud should be reported without delay to the COO or other member of the Fraud Investigation Group. The members are:

1. CEO
2. COO
3. Director of HR

Those reporting fraud should be assured that all information will be dealt with in the strictest confidence and that anonymity will be preserved if requested, unless that is incompatible with a full and fair investigation.

Instances of fraud or theft where the value exceeds £5,000, individually or cumulatively, or of any value where the fraud is unusual or systematic must be notified to the ESFA by the CEO or COO using the online enquiry form https://www.gov.uk/guidance/academies-guide-to-reducing-anyrisk-of-financial-irregularities

The Fraud Investigation Group should receive written notification of the actual or suspected incident/ fraud. The detail to be provided should include:

1. Assess the impact upon the Academy and Trust operations
2. Assess the impact of any safeguarding, wellbeing or health and safety issues.
3. quantification of losses (both in quantity and value)
4. progress with recovery action
5. progress with disciplinary action

6. Likelihood to progress with criminal action (contact with authorities should only be made after consultation with the Fraud Investigation Group)

7. estimate of resources required to conclude the investigation

8. actions taken to prevent and detect similar incidents.

All eight questions above should be considered and a nil response confirmed it appropriate. Any variation from the above, together with reasons for the variation, should be reported promptly to the Fraud Investigation Group.

Checklist for the Fraud Investigation Group undertaking the Investigation

The following is a checklist of points for consideration following the reporting of an alleged fraud:

1. convene a meeting of the Fraud Investigation Group to consider the allegation

2. conduct an initial investigation to establish the substance of the allegation

3. consider legal implications

4. If substantiated, consider wider consultation i.e. Trustees, members of the local governing body and Principal, etc

5. agree if further investigation is required and who will undertake it

6. agree a remit, and establish scope and reporting deadlines for the investigation

7. ensure the investigating team has adequate resources, including secure storage

8. prepare for interviews thoroughly

9. ensure existing staff disciplinary procedures and other KSAT policies are followed

10. secure any evidence

11. in consultation with the Fraud Investigation Group inform the police and the funding body as appropriate

12. hold regular progress meetings at which progress and agreed action are documented

13. identify all internal and external sources of information and evidence

Concluding an Investigation

At the end of a case, irrespective of the outcome, it is important that the progress of the investigation is reviewed to see what lessons can be learned and to assess the effectiveness of the action taken. Such reviews will help identify any weaknesses in internal control that initially led to the fraud and should highlight any deficiencies in these systems for reporting and investigating, enable more effective future enquiries and precipitate changes to internal procedures designed to prevent reoccurrence.

On completion of an investigation the Fraud Investigation Group may request from those making the allegations a written report of the lessons learned. This report if serious could be presented by Fraud Investigation Group to the Finance and General Purposes Committee for consideration.

Vulnerable Transactions

Transactions outside the usual planned range of activities can potentially give rise to fraudulent activity. However, cash transactions and reimbursements can also be viewed as being vulnerable. The following list (but not limited to) gives an example of the types of vulnerable transactions that the Trust could be more susceptible to fraud through:

- Cash Transactions; School Trips, Petty Cash, Lettings, Sales of incidentals
- Payroll and Expenses
- Fuel and Credit Card Transactions

Vigilance should always be advised when processing any of the above transactions.

ESFA Fraud Indicators Checklist

The following is a list of generic indicators of potential fraud. These include personal and organisational motives for fraud, possible weakness of internal controls, transactional indicators and possible methods of committing and concealing fraud:

ESFA Fraud Indicators Checklist

REF	AREA	RESPONSE
1	**Possible Personal Motives**	
1.1	Personnel believe they receive inadequate compensation and/or rewards (recognition, job security, vacations, promotions etc.)	
1.2	Expensive lifestyle (cars, trips etc.)	
1.3	Personal problems (gambling, alcohol, drugs, debt, etc.)	
1.4	Unusually high degree of competition/peer pressure	
1.5	Related party transactions (business activities with personal friends, relatives or their companies)	
1.6	Conflicts of interest	
1.7	Disgruntled employee (recently demoted, reprimanded etc.)	
1.8	Recent failure associated with specific individual	
1.9	Personal animosity or professional jealousy	
2	**Possible Organisational Motives**	
2.1	Organisation experiencing financial difficulty	
2.2	Commercial arm experiencing financial difficulty	
2.3	Tight or under unusually tight time deadlines to achieve level of outputs	
2.4	Organisation governance lacks clarity and direction	
2.5	Organisation closely identified with/dominated by one individual	
2.6	Organisation under pressure to show results (budgetary, exam results etc.)	
2.7	Organisation recently suffered disappointment/reverses/consequences of bad decisions	
2.8	Organisation wants to expand its scope, obtain additional funding	
2.9	Funding award up for continuation	
2.10	Organisation due for a site visit by auditors, Ofsted or others	
2.11	Organisation has for-profit component	

2.12	Organisation recently affected by new/changing conditions (regulatory, economic, environmental etc.)	
2.13	Organisation faces pressure to use or lose funds to sustain future funding levels	
2.14	Record of previous failure(s) by one or more organisational areas	
2.15	Sudden change in organisation practice or pattern of behaviour	
REF	**AREA**	**RESPONSE**
3	**Internal Controls Are Weak**	
3.1	Management demonstrates lack of attention to ethical values (lack of communication regarding importance of integrity and ethics, lack of concern about presence of temptations and inducements to commit fraud, lack of concern regarding instances of fraud, no clear fraud response plan or investigation policy)	
3.2	Management fails to specify needed levels of competence	
3.3	Management displays a penchant for taking risks	
3.4	Lack of an appropriate organisational and governance structure with defined lines of authority and reporting responsibilities	
3.5	Institution lacks policies and communication relating to individual accountability and best practices e.g. procurement travel and subsistence use of alcohol declarations of interest	
3.6	Lack of personnel policies and recruitment practices	
3.7	Institution lacks personnel performance appraisal measures or practices	
3.8	Management displays lack of commitment towards the identification and management of risks relevant to the preparation of financial statements (does not consider significance of risks, likelihood of occurrence or how they should be managed)	

3.9	There is inadequate comparison of budgets with actual performance and costs, forecasts and prior performance; no regular reconciliation of control records and lack of proper reporting to governing body	
3.10	Management of information systems is inadequate (no policy on information technology security, computer use and access, verification of data accuracy completeness or authorisation of transactions)	
3.11	There is insufficient physical security over facilities, assets, records, computers, data files, cash; failure to compare existing assets with related records at reasonable intervals	
3.12	There is inadequate or inappropriate segregation of duties regarding initiation, authorization and recording of transactions,	
REF	**AREA**	**RESPONSE**
	maintaining custody of assets	
3.13	Accounting systems are inadequate (ineffective method for identifying and recording transactions, no tracking of time periods during which transactions occur, insufficient description of transactions and to which account they should be allocated to, no easy way to know the status of funds on a timely basis, no adequate procedure to prevent duplicate payments or prevent missing payment dates, etc.)	
3.14	There is a lack of internal, ongoing monitoring of controls which are in place; failure to take any corrective actions, if needed	
3.15	Purchasing systems/procedures inadequate (poor or incomplete documentation of purchase, payment, receipt; poor internal controls as to authorization and segregation of duties)	
3.16	Subcontractor records/systems reflect inadequate internal controls	
3.17	Management is unaware of or displays lack of concern regarding applicable laws and regulations e.g. Companies Acts, Charities Acts, Funding Agreement, Child Protection	

3.18	Specific problems and/or reportable conditions identified by prior audit, other audits, or other means of oversight have not been corrected History of problems Slow response to past findings or problems Unresolved present findings	
3.19	No mechanism exists to inform management and governors of possible fraud	
3.20	General lack of management oversight	
4	**Transactional Indicators**	
4.1	Related party transactions with inadequate, inaccurate or incomplete documentation or internal controls (business/research activities with friends, family members or their companies)	
4.2	Not-for-profit entity has a for-profit counterpart with linked infrastructure (shared board of governors or other shared functions and personnel)	
4.3	Specific transactions that typically receive minimal oversight	
4.4	Previous audits with findings of	
REF	**AREA**	**RESPONSE**
	questioned costs evidence of non-compliance with applicable laws or regulations and weak internal controls inadequate management response to any of above a qualified opinion	
4.5	Transactions and/or accounts which are difficult to audit or subject to management judgment and estimates	
4.6	Multiple sources of funding with inadequate, incomplete or poor tracking failure to segregate funds and/or existence of pooled funds	
4.7	Unusual, complex or new transactions, particularly if occur at year end, or end of reporting period	

4.8	Transactions and accounts operating under time constraints	
4.9	Cost sharing, matching or leveraging arrangements where industry money or other donation has been put into a foundation (as in a foundation set up to receive gifts) without adequate controls to determine if money or equipment has been spent/used and whether it has gone to allowable costs and at appropriate and accurate valuations; outside entity such as foundation provided limited access to documentation	
4.10	Travel accounts with inadequate, inaccurate or incomplete documentation or poor internal controls such as appropriate authorisation and review variances between budgeted amounts and actual costs claims in excess of actual expenses reimbursement for personal expenses claims for non-existent travel collecting duplicate payments	
4.11	Credit card accounts with inadequate, inaccurate or incomplete documentation or internal controls such as appropriate authorisation and review	
REF	**AREA**	**RESPONSE**
4.12	Accounts in which activities, transactions or events involve handling of cash or wire transfers; presence of high cash deposits maintained with banks	
4.13	Assets and inventory are of a nature to be easily converted to cash (small size, high marketability, lack of ownership identification, etc.) or easily converted to personal use (cars, houses, equestrian centres, villas etc.)	
4.14	Accounts with large or frequent shifting of budgeted costs from one line item to another without adequate justification	
4.15	Payroll (including fringe benefits) system: Controls inadequate to prevent an individual being paid twice, or paid for non-delivery or non-existence; or outsourced but poor oversight of starters / leavers and payments	

4.16	Consultant agreements which are vague as to work, time period covered, rate of pay, product expected; lack of proof that product or service actually delivered	
4.17	Subcontract agreements which are vague as to work time period covered rate of pay product expected Lack of proof that product or service actually delivered	
5	**Possible methods of committing/concealing fraud**	
5.1	Auditee issues such as Refusal or reluctance to turn over documents Unreasonable explanations Annoyance at questions Trying to control the audit process (timetables, access, scope) Auditee blames a mistake on a lack of experience with financial requirements or regulations governing funding Promises of cooperation followed by subsequent excuses to limit or truncate co-operation subtle resistance	

REF	AREA	RESPONSE
	Answering a question that wasn't asked Offering more information than asked Providing wealth of information in some areas, little to none in others Explaining a problem by saying "we've always done it that way", or "someone at EFA/DfE (or elsewhere) told us to do it that way" or "Mr X said he'd take care of it" A tendency to avoid personal responsibility (overuse of "we" and "our" rather than "I"); blaming someone else Too much forgetfulness Trying to rush the audit process	

6	**Record Keeping /Banking/Other**	
6.1	Documents Missing documents Documents are copies, not originals Documents in pencil Altered documents False signatures/incorrect person signing	
6.2	Deviation from standard procedures (all files but one handled a particular way; all documents but one included in file, etc.)	
6.3	Excessive journal entries	
6.4	Transfers to or via any type of holding or suspension account	
6.5	Inter-fund loans to other linked organisations	
6.6	Records maintained are inadequate, not updated or reconciled	
6.7	Use of several different banks, or frequent bank changes; use of several different bank accounts	
6.8	Failure to disclose unusual accounting practices or transactions	
6.9	Uncharacteristic willingness to settle questioned costs Non-serial-numbered transactions or out-of-sequence invoices or other documents Duplicate invoices Eagerness to work unusual hours Access to/use of computers at unusual hours	
REF	**AREA**	**RESPONSE**
	Reluctance to take leave Insistence on doing job alone Refusal of promotion or reluctance to change job	

6.10	Creation of fictitious accounts, transactions, employees, charges Writing large cheques to cash or repeatedly to a particular individual Excessive or large cash transactions Payroll checks with unusual/questionable endorsements Payees have similar names/addresses Non-payroll checks written to an employee	
6.11	Defining delivery needs in ways that can only be met by one source	
6.12	Continued reliance on person/entity despite poor performance	
6.13	Charging items to project account for personal purposes (books and supplies bought for family members, home gym equipment charged to project account etc.)	
6.14	Materials erroneously reported as purchased; repeated purchases of same items; identical items purchased in different quantities within a short time period; equipment not used as promised, doesn't work, doesn't exist	

APPENDIX E

THE SEVEN PRINCIPLES OF PUBLIC LIFE

1. Selflessness

Holders of public office should act solely in terms of the public interest.

2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

APPENDIX F

GIFTS AND HOSPITALITY REGISTER

Name and Role	Brief Description of Hospitality / Gift	Actual or Estimated Value	Person or Organisation offering the Hospitality / Gift & Relationship with NLT	Circumstance or means by how the offer has been made	Offer Accepted / Declined	Approval / Declined
EXAMPLE V Robinson COO	Wine and Meal	£120	Company A Mr B Smith COO & Current Contractor	Network event & then an email	Declined	I Kershaw CEO dd/mm/yyyy

APPENDIX G

FINANCE AND GENERAL PURPOSES COMMITTEE

TERMS OF REFERENCE

1 Constitution

1.1 The Northern Leaders Trust Board ("the Board") has resolved to establish a Finance and General Purposes Committee to advise the Board on matters relating to the Trust's finance and resources arrangements.

1.2 The Finance and General Purposes Committee is responsible to the Trust Board.

1.3 The Committee's Terms of Reference are adopted by the Board and may only be changed with the approval of the Board.

1.4 The Committee's remit will extend to advise the Board on the performance and pay of the Chief Executive of the Trust.

1.5 The Clerk to the Board (or appointed deputy) shall be the Clerk to the Committee.

2 Authority

2.1 The Committee will report to the Board on any decisions taken in accordance with the Schemes of Delegation and delegated powers, including the Academies' assets, depreciation and removal of such items from the asset register.

2.2 The Finance and General Purposes Committee is authorised to investigate any activity within its terms of reference or specifically delegated to it by the Board. It is authorised to request any information it requires from any employee of the Trust and all employees are directed to co-operate with any request made by the Committee.

2.3 The Committee is authorised to obtain any outside legal or independent professional advice it considers necessary and may require experts to be present and to advise when drafting disclosures to be made in the Trust's annual Report and Accounts.

3 Main Duties

3.1 The Committee is required to fulfil its responsibilities as set out in these Terms of Reference in line with the Academies Financial Handbook, the Trust's Financial Regulations and in compliance with the Funding Agreement with the Secretary of State of Education.

3.2 To ensure sound management of the Trust's finances and resources, including proper planning, monitoring, probity and value for money.

3.3 To advise the Trust Board on specific remuneration packages of the CEO to ensure that staff are fairly rewarded in relation to their individual contributions to the Trust's overall performance; and

3.4 To demonstrate to the public that the pay of senior staff is set by a committee which has no personal interest in the outcome of its decision and which gives due regard to the interests of the public and of the financial health of the Trust.

3.5 To act as the Trust's Audit and Risk Committee

4 Terms of Reference

4.1 Subject to the detailed requirements of the Academies Financial Handbook, Funding Agreement and the Financial Regulations of the Trust, the Committee shall consider and advise the Board on the following specific matters:

4.1.1 The annual estimates of income and expenditure and financial forecast for the Trust and its Academies

4.1.2 Monitoring of revenue finances of the Trust and its Academies and advising the Board on progress towards achieving its financial objectives

4.1.3 Monitoring of policies relating to finance, staffing and buildings, including Health and Safety, capitalisation, depreciation, treasury management, investment and borrowing

4.1.4 The acquisition or disposal of land to be used by the Academies

4.1.5 The financial elements of the risk management policy including health and safety, buildings and insurance

4.1.6 The management accounts of the Trust, advising the Board on the year-end Accounts

4.1.7 To consider any relevant legal and contractual documentation, operating within the Articles of Association, Schemes of Delegation, Funding Agreement and Financial Regulations

4.1.8 To monitor policies in relation to non-educational services such as Human Resources, publicity and marketing, and to agree changes as necessary

4.1.11 To monitor the deployment of non-financial resources, including personnel and property, with a view to advising the Board on the effectiveness of such resources.

4.1.12 The oversight of the pay and conditions of service of all employees of the Trust.

4.2 The Committee will produce an annual report for the Board and Accounting Officer regarding the Trust's internal controls.

5 Pay Matters

5.1 The Committee shall advise the Board on the remuneration packages of the CEO and the Principals and in doing so it shall consider the following component elements:

a) basic salary

b) pension provisions

c) the main terms and conditions of each individual's service agreement, with particular reference to the notice provisions.

5.2 The Committee shall evaluate annually the specific remuneration package of the CEO in particular against pre-established performance goals and objectives and an appropriate peer group.

5.3 The Committee shall receive a report from the Chair of the Board on the performance of the CEO and the Governance Professional to the Board.

5.4 For the purposes of 5.3 the Committee will review and assess performance targets, goals and objectives established before the commencement of the relevant period and determine whether such goals and objectives have been achieved at the end of the relevant period.

5.5 The Committee shall advise the Board of any compensation (including the augmentation of pension benefits) which may be payable in the event of the early termination of the employment of the CEO, Principals of the Academies or any senior member of staff, with the broad aim of:

a) avoiding rewarding poor performance and

b) dealing fairly with cases where early termination is not due to poor performance.

5.6 The Committee shall periodically review and approve any changes to the job description of the CEO.

6 Administration

6.1 The Finance and General Purposes Committee will meet at least three times in each academic year. The Chair or any two members may call a meeting.

6.2 The Committee will consist of a minimum of three Board Directors. Members of the Committee are appointed annually. The Chair of the Board shall be an ex-officio member.

6.3 Up to two external co-opted members may also be appointed who are not members of the Board. The Board may not co-opt an employee of the Academy Trust if the result would be that the number of committee members who are employees of the Trust (including the CEO) would exceed one third of the Committee. Co-opted members of the Committee will have full participation rights.

6.4 In respect of pay matters, Directors who are employed by the Trust and any co-opted members of the Committee shall be excluded. Where pay matters are being considered, the Chair of the Board shall attend.

6.7 The Chair of the Finance and General Purposes Committee will be appointed by the Board and will not be the CEO. If the Chair is absent from a meeting, the members shall choose another member, who is also a member of the Board, to act as chair for that meeting.

6.8 The Finance and General Purposes Committee will be quorate if at least three members (or at least one third if greater) of those members eligible to vote are present.

In addition, at least 50%of those present are required to be Board members [in the event of there being co-optees on the Committee] and no more than 50%of those present may be employees of the Trust.

6.9 Decisions to be made at meetings of the Committee shall be determined by a majority of votes of members present and voting. Where there is an equal division of votes, the Chair shall have a second or casting vote.

6.10 The Chief Finance Officer and other members of the Trust's staff may be invited to attend but will have no voting rights. The CFO will be excluded when pay matters relating to the CEO and Principals are to be considered.

6.11 The meeting agenda will be agreed in advance by the Chair of the Finance and General Purposes Committee (based on, but not limited to, a pre-agreed annual schedule of activity) and papers will be circulated to members and attendees at least 5 working days in advance of the meeting.

6.12 Minutes of meetings will be taken and submitted to the next scheduled meeting of the Board once approved in draft by the Chair of the Committee.

6.13 The Finance and General Purposes Committee will self-assess its performance against these Terms of Reference on an annual basis and will also review the Terms of Reference, submitting any proposed changes to the Board for approval.

6.14 The members of the Committee shall hold office from the date of their appointment until the resignation or their omission from membership of the Committee on subsequent consideration by the Board (whichever shall happen first).

7 External Audit

7.1 To consider the appointment of the external auditor and asses independence of the external auditor, ensuring that key audit personnel are rotated at appropriate levels.

7.2 To oversee the process for selecting the external auditor and make appropriate recommendations through the Trust Board to the members of the Trust to consider at any general meeting where the accounts are laid before members.

7.3 To ensure that the external auditor receives the fullest co-operation.

7.4 To review the external auditor's management letter and all other reports and recommendations, together with the appropriateness of management's response.

7.5 To review the performance of the external auditor on an annual basis.

7.6 To recommend to the Trust Board the appointment / re-appointment of the external auditor.

7.7 To review and consider the circumstances surrounding any resignation or dismissal of the external auditor.

8 Internal Audit

8.1 To achieve internal scrutiny which delivers objective and internal assurance for the Trust.

8.2 To consider the appointment of the internal auditor and assess independence of the internal auditor, including that there is rotation of key audit personnel at appropriate intervals.

8.3 To oversee the process for selecting the internal auditor.

8.4 To discuss and agree the nature and scope of each assurance visit and to ensure that the internal auditor receives the fullest co-operation.

8.5 To review the internal auditor's reports and recommendations, together with the appropriateness of management's response and action plan.

8.6 To review the performance of the internal auditor on an annual basis.

8.7 To recommend to the Trust Board the appointment / re-appointment of the internal auditor.

8.8 To review and consider the circumstances surrounding any resignation or dismissal of the internal auditor.