

Kenilworth Multi-Academy Trust

Financial Procedures Policy

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Statement of intent

It is important for Kenilworth Multi-Academy Trust to demonstrate that they do not benefit personally from decisions they make with regards to the spending of public money. To ensure that the financial standing of the KMAT cannot be brought into disrepute, this policy will be implemented by all academies within the KMAT, guaranteeing consistency in financial procedures across the academies.

This policy applies to all employees in the KMAT, as well as services and goods sourced from external agencies, such as contractors and caterers.

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

Signed by:

| | | |
|-------|-----------------------|-------------|
| _____ | Executive Headteacher | Date: _____ |
| _____ | Chair of Trustees | Date: _____ |

1. Legal framework

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

- The Employment Relations Act 1999
- Companies Act 2006
- The Equality Act 2010
- The Education (School Teachers' Appraisal) (England) Regulations 2012 (as amended)
- ESFA (2018) 'Academies financial handbook 2018'
- DfE (2016) 'Academies financial assurance'

2. Roles and responsibilities

2.1. The KMAT's members are responsible for:

- Appointing the trust's auditors and receiving the trust's audited annual accounts.
- Conducting the business of the trust in accordance with company and charity law and adhering to the trust's funding agreement with the Secretary of State.

2.2. The KMAT's board of trustees is responsible for:

- Applying the highest standards of governance and taking full ownership of their duties.
- Overseeing the financial performance of the trust.
- Ensuring that the trust's practices reflect the 'seven principles of public life' (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).
- Ensuring that funds are received according to the funding agreements for each Academy and that they are used only for the purposes intended.
- Ensuring the trust complies with any financial notices to improve issued to it by the ESFA.
- Approving the annual budget, consolidated budget, central budget and each academy's budget.
- Ensuring that their decisions about levels of executive pay follow a robust evidence-based process and are reflective of the individual's role and responsibilities.
- Overseeing the financial performance of the organisation and making sure its money is well spent.
- Approving the KMAT's three-year financial plan.
- Ensuring an appropriate scheme of delegation is in place.
- Ensuring assets are effectively managed.
- Approving purchase orders, invoices and contracts over £50,000 by KMAT Trustees. Purchase orders, invoices and contracts up to £20,000 are delegated to the Headteacher. Purchase orders, invoices and contracts between £20,000 and £50,000 are delegated to the Executive Headteacher.

- Ensuring accurate accounting records are maintained.
- Appointing key positions and roles relating to finance, including business managers, accountants and auditors.
- Receiving the annual audit report.
- Approving the mandates for the operation of academy bank accounts and credit cards.
- Appointing the finance committee and approving its terms of reference.
- Approving severance and compensation payments up to £50,000, after which they must seek the ESFA's approval.
- Appointing an appropriate accounting officer that is the senior executive leader and Executive Headteacher.
- Appointing a CFO.
- Referring to the competency framework for governance to determine if any skills gaps are apparent and taking steps to mitigate these.
- Appointing the headteacher for each academy.
- Referring and adhering to the six features of effective governance as set out in the 'Governance handbook'.

2.3. The accounting officer is responsible for:

- Sharing the ESFA's '[Dear Accounting Officer](#)' letter with the members, trustees, the CFO and other members of the SLT, arranging for it to be discussed by the board of trustees and taking action, where appropriate, to strengthen the trust's financial systems and controls.
- Achieving value for money and the best possible educational outcomes through the economic, efficient and effective use of resources.
- Ensuring regularity when dealing with items of income and expenditure in accordance with legislation, the terms of the trust's funding agreement and the 'Academies financial handbook 2018' (AFH), and with the trust's internal procedures.
- Ensuring propriety with regards to expenditure and receipts, including standards of conduct, behaviour and corporate governance.
- Completing and signing a statement of regularity, propriety and compliance each year and submitting this to the ESFA with the audited accounts.
- The trust's financial affairs.
- Keeping full and accurate financial records.
- The management of opportunities and risks.
- Assuring the board of trustees that the trust is compliant with the AFH and the funding agreement.
- Informing the board of trustees, in writing, of any action or policy under consideration that is incompatible with the terms of the articles of association, funding agreement or the AFH.
- Informing the ESFA, in writing, where they have advised the board of trustees that they are in breach of the articles of association, funding agreement or AFH but the board has continued with their actions.

2.4. The CFO is responsible for:

- Acting as the Headteacher finance officer for the KMAT.
- Ensuring that the KMAT's financial position is managed at a strategic level within the framework for financial control determined by the board of trustees.
- Ensuring that all financial matters focus on the wider needs of the KMAT, rather than on any individual academy.
- Appointing the external and internal auditors.
- Working with internal auditors to provide assurance to the finance committee and board of trustees.
- Ensuring the annual accounts are properly presented and adequately supported by the underlying books and records of the KMAT.
- Challenging finance staff to ensure that value for money is routinely obtained.
- Ensuring effective financial policies are in place across the KMAT.
- Acting as an authorised signatory of the KMAT bank account and the bank accounts of the academies within the KMAT.
- Ensuring that forms and returns for the KMAT are sent in line with statutory timeframes.
- Accepting quotations/tenders at a minimum of up to £10,000.
- Authorising virements to approved budgets up to £20,000.
- Authorising tenders up to £10,000 for the KMAT
- Approving purchase orders, invoices and contracts up to £10,000.
- Liaising with the headteacher and SBM from each academy regarding financial matters.

2.5. The KMAT Board of Trustees is responsible for:

- Reviewing the KMAT's consolidated budget, central budget and three-year financial plan, as well as making recommendations to the board of trustees regarding these key documents.
- Approving the annual budget for each academy.
- Regularly monitoring expenditure and income against the budget and making any recommendations to the board of trustees.
- Reviewing the mandates for the operation of academy bank accounts and credit cards.
- Ensuring appropriate insurance arrangements are in place for the KMAT.
- Implementing appropriate accounting policies.
- Ensuring an appropriate framework of internal financial controls is established.
- Ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 2006 and related ESFA guidance.
- Authorising changes to the personnel structure of each academy.
- Writing off bad debts over £250.
- Acting as the audit committee for the KMAT and reviewing reports on the effectiveness of the financial procedures and controls of the KMAT.
- Authorising the disposal of assets over £4001.
- Authorising formal tenders over £25,000.

2.6. The LGB is responsible for:

- Reviewing the budget for their academy and making recommendations for approval to the board of trustees.
- Ensuring that any grants are used for the purposes intended.
- Reviewing the actual income and expenditure against the approved budget for their academy and making recommendations to the board of trustees.
- Making recommendations to the board of trustees in relation to the appointment, pay and contractual terms of members of the SLT in their academy.
- Approving recommendations from their academy's headteacher in relation to the appointment, pay and contractual terms of members of staff other than members of the SLT.
- Appointing the SBM in conjunction with the headteacher.

2.7. The headteacher of each academy is responsible for:

- Ensuring budgetary control within approved budgets.
- Authorising contracts and orders, up to the amount stated in the scheme of delegation, reporting all decisions to the LGB.
- Authorising payments from the academy's bank account and BACS payments.
- Signing cheques and acting as the named debit card holder.
- Approving new staff appointments, except for senior staff positions.
- Making recommendations to the LGB regarding staff pay and contractual conditions, other than members of the SLT.
- Ensuring that draft budget papers are prepared for the consideration of the finance committee.
- Authorising the disposal of assets between £500 and £4000.

2.8. The SBM of each academy is responsible for:

- Managing day-to-day financial issues, including the establishment and operation of the accounting system.
- Maintaining effective internal controls.
- Managing their academy's financial position at a strategic and operational level within the framework for financial control determined by the LGB.
- Drafting original and revised finance plans in cooperation with the headteacher and with the support of the CFO.
- Maintaining the accounting records.
- Ensuring that purchase orders are raised prior to ordering goods/services, wherever possible, to aid effective budget monitoring and management.
- Ensuring that payments are made to suppliers within 30 days after the date of the invoice.
- Monitoring the budget on a monthly basis.
- Ensuring the monthly completion of bank, petty cash and other reconciliations.

- Monitoring cash flow during the month and liaising with the CFO regarding this, where necessary.
- Acting as an authorised signatory for the purposes of signing cheques, certifying employee claims, etc.
- Managing and processing online payments and payroll, subject to appropriate authority.
- Ensuring that proper checks and controls are in place to cover day-to-day activities in accordance with the financial regulations manual.
- Ensuring VAT is correctly accounted for.
- Liaising with accountants in respect of any queries, and ensuring data is supplied for preparation of annual accounts within agreed timescales.

3. Financial oversight

- 3.1. The KMAT takes full responsibility for its financial affairs and uses resources to maximise pupils' outcomes.
- 3.2. The board of trustees meets at least three times a year.
- 3.3. Where the board of trustees meets less than six times a year, it will explain in its governance statement how effective oversight of funds was maintained with fewer meetings.

4. Budget setting

- 4.1. The budget is a working document which may need revising throughout the year as circumstances change. Any significant revisions will be reported to the finance committee and the LGBs, as well as the board of trustees.
- 4.2. The budget planning process follows an annual planning cycle and consists of the following four phases:
 - Planning
 - Budget setting
 - Monitoring
 - Review
- 4.3. The budget process takes the following elements into account:
 - Forecasts of likely pupil numbers to estimate the amount of DfE grant available
 - Review of other income sources
 - Review of past performance against budgets
 - Identification of potential efficiency and budget containment actions
 - An annual review of expenditure headings to reflect known changes and expected variations in costs, such as pay increases, inflation or other anticipated changes
- 4.4. When reviewing and approving budgets for the trust, the board of trustees ensures the following:

- That budget forecasts, for the current year and beyond, are compiled accurately, based on realistic assumptions and are reflective of lessons learned from previous years.
 - Pupil number estimates are challenged and that these underpin revenue projections.
 - An integrated approach to curriculum and financial planning is taken.
- 4.5. Each academy within the KMAT will have an independent budget which will be managed by their LGB.
 - 4.6. A balanced budget for the forthcoming financial year will be approved by the board of trustees, and this approval will be minuted.
 - 4.7. The annual budget will reflect the best estimate of the resources available to the KMAT for the forthcoming year and will detail how those resources will be utilised, establishing clear links to support the objectives identified in school development plans.
 - 4.8. Both medium-term and short-term financial plans are prepared for the KMAT and each of the academies in the KMAT.
 - 4.9. The medium-term plan indicates how the KMAT's and each academy's educational aims and other objectives are going to be achieved within the expected level of resources over the next three years.
 - 4.10. The development plan provides the framework for the annual budget.
 - 4.11. Draft budgets will be presented to the headteachers and LGBs via the finance committee, as well as to the CFO and board of trustees, together with a supporting report for approval.
 - 4.12. Once budgets are agreed, this will be communicated to all responsible budget holders to ensure they are aware of the overall budgetary constraints.
 - 4.13. The board of trustees will notify the ESFA within 14 days of proposing to set a deficit revenue budget.

5. Budget management and monitoring

- 5.1. To implement a smooth-running planning process, the CFO will create a budget timetable which outlines important dates, such as when information will be collected, including salary information and estimated budget allocation.
- 5.2. A continuous review of the aims and priorities of the strategy will be undertaken based on the monitoring and analysis of performance.
- 5.3. The SBMs are responsible for monitoring income and expenditure in their academy throughout the year.
- 5.4. A three-year budget forecast will be prepared when the budget for the current financial year is being set.
- 5.5. The CFO will prepare monthly management accounts, setting out the trust's financial performance and position. The accounts will be shared with the chair of trustees every month and with other trustees six times a year.

- 5.6. The board of trustees will consider the management accounts when it meets and will ensure appropriate action is being taken to maintain financial viability.
- 5.7. The board of trustees will select key financial performance indicators and measure its budgetary performance against these regularly.
- 5.8. Any potential overspend against the budget will be discussed with the CFO before receiving approval.
- 5.9. The monitoring process will be effective and timely in highlighting variances in the budget so that differences can be investigated, and action taken where appropriate.
- 5.10. The finance committee will continually monitor the quality of the financial information presented to them to ensure that what is provided remains appropriate, particularly in terms of its timing, level of detail and narrative.
- 5.11. The trust will submit the following returns to the ESFA:
 - A budget forecast return outturn by 21 May
 - A three-year budget forecast return by 30 July

The returns will be approved by the board of trustees before submission to the ESFA.

- 5.12. Where the board of trustees has concerns about the trust's financial performance, it will consider whether additional financial reporting is required.

6. Cash management

- 6.1. The trust has robust procedures in place to manage its cash position and will avoid becoming overdrawn.
- 6.2. The SBM of each academy and CFO will prepare cash flow forecasts to ensure that the KMAT has sufficient funds available to cover day-to-day operations.
- 6.3. The SBM will record all transactions regarding cash flow for their academy and the CFO will record transactions for the KMAT.
- 6.4. When producing cash flow forecasts, if significant balances can be foreseen, steps will be taken to invest the surplus funds.
- 6.5. All cheques and other instruments authorising withdrawal from any of the KMAT's bank accounts will bear authorising signatures/electronic signatures in line with the scheme of delegation. The headteacher is one of the authorising signatories in an academy, unless otherwise delegated.
- 6.6. Debit cards linked to an KMAT bank account are issued to personnel under the scheme of delegation to pay for goods and services when the normal ordering processes are not possible.
- 6.7. The procurement of goods and services using debit cards will be kept to a minimum and monitored by the KMAT's CFO.
- 6.8. Payment via debit or credit card requires the same authorisation as that of cheques.

- 6.9. A petty cash tin is kept at each academy within the KMAT, which is the responsibility of the SBM, with the maximum amount of £200 being stored in the tin.
- 6.10. The SBM is responsible for the management of petty cash and will:
- Ensure petty cash is held securely.
 - Make reimbursements only on the Reimbursements to Individuals Form.
 - In exceptional circumstances, make cash available to staff in advance of a receipt being available for items under £20.
 - Reconcile petty cash monthly.
 - Make the petty cash available for checking at any time.
 - Record all petty cash transactions.
- 6.11. In the interests of security, petty cash payments will be limited to £50. Higher value payments will be made via online banking or cheque.
- 6.12. A petty cash voucher will be completed and submitted to the SBM for processing before petty cash is received. Valid receipts for all goods purchased will be attached.
- 6.13. The SBM or a member of Finance staff will be available each day to reimburse petty cash expenses and the recipient will sign a petty cash form to acknowledge receipt.
- 6.14. Details of monies held in the safe will reflect balances shown in the accounting system.

7. Purchasing, procurement and returns

- 7.1. The headteacher is the budget holder for each academy and their approval will be sought for any purchases or tenders.
- 7.2. An accepted tender will be the one that is economically most advantageous, unless it can be demonstrated that this is not the best option for the KMAT and other factors outweigh any monetary savings.
- 7.3. To maintain integrity concerning the use of public funds, the following general principles will be adhered to:
- **Probity** – it must be demonstrable that there is no corruption or private gain involved in the contractual relationships of the KMAT.
 - **Accountability** – the KMAT is publicly accountable for its expenditure and the conduct of its affairs.
 - **Fairness** – all tenders dealt with by the KMAT are done so fairly and equally.
- 7.4. There are three forms of tender procedure: open, restricted and negotiated.
- 7.5. Open tenders are where potential suppliers are invited to tender. This method involves the SBM discussing and agreeing with the CFO how best to advertise for suppliers.
- 7.6. Restricted tenders refer to where suppliers are specifically invited to tender. This method is appropriate where:

- There is a need to maintain a balance between the contract value and administrative costs.
 - A large number of suppliers are likely to register an interest.
 - The nature of the goods means that only specific suppliers can be expected to supply the trust's requirements.
 - The costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.
- 7.7. Negotiated tenders mean that the terms of the contract may be negotiated with one or more chosen suppliers. This method is appropriate where:
- Other tender methods have resulted in either no or unacceptable tenders.
 - Only one or very few suppliers are available.
 - Extreme urgency exists.
 - Additional deliveries by existing suppliers are justified.
- 7.8. When preparing for tender, full consideration will be given to the objectives of the project, the overall requirements regarding the technical skills necessary and after sales service requirements.
- 7.9. The tender evaluation process will involve at least two people who will disclose any conflicts of interest.
- 7.10. Full records will be kept of all the criteria used for evaluation and for contracts over £10,000.
- 7.11. The KMAT will aim to achieve the best possible value for money for all its purchases, ensuring that services are delivered in the most economical, efficient and effective way.
- 7.12. The headteacher and SBM of each academy are responsible for ensuring procedures are in place for testing the market, placing orders and paying for goods or services.
- 7.13. If a budget holder is pursuing a query with a supplier, the SBM will be informed of the query and periodically kept up-to-date with progress.
- 7.14. Where the value of an order is over £3,000, the requisition will be accompanied with evidence of thorough discussion and appropriate quotes following school purchasing procedures.
- 7.15. The CFO is responsible for ensuring that a value for money statement is published annually, on behalf of the board of trustees.
- 7.16. The CFO is responsible for authorising contracts between £10,000 and £25,000 for the KMAT (see item 2.4)
- 7.17. Where practicable, three written quotations will be obtained for all orders between £5000 and £15,000 to identify the best source of the goods/services.
- 7.18. Goods or services ordered with a value of £15,000 or more, or for a series of contracts which in total exceed £15,000 are subject to formal tendering procedures.

- 7.19. The headteacher of an academy may authorise orders up to £30,000 (see item 2.2)
- 7.20. All orders from £25,000 to £40,000 will be authorised by the CFO (see item 2.2)
- 7.21. Orders over £70,000 will be authorised by the board of trustees.

8. Income and expenditure

- 8.1. The main source of income for the KMAT and its academies is through the grants received from the ESFA.
- 8.2. When allocating funding, the board of trustees will consider the funding needs and allocations of each academy within the KMAT.
- 8.3. Headteachers of constituent academies can appeal any funding allocation decisions to the board of trustees. If, after this appeal, the situation is not resolved, the headteacher can make an appeal to the ESFA.
- 8.4. The CFO monitors the receipt of grants, ensuring that all grants due to the academies within the KMAT are appropriately collected.
- 8.5. The KMAT collects income from parents via a number of methods including, but not limited to, the following:
- School meals
 - Trips and residential visits
 - Book bags and uniform
 - Breakfast and after school club lettings
 - Reimbursements from various parties and activities
- 8.6. There are two main areas of expenditure:
- **Salaries** – this forms the largest element of expenditure. Salaries of all staff members will be reviewed on an annual basis by the headteacher. Pay review recommendations are then given to the LGB for discussion and authorisation. The Executive Headteacher will discuss recommendations with the Headteacher to ensure comparability of standards across the KMAT. The pay committee of each LGB confirms pay awards, incremental progression and performance led pay increases, after recommendation by the Headteacher and Executive Headteacher. Following recommendations by local pay committees of each school, overall pay increases will be presented to the KMAT Board using national average benchmarks. The CFO will cost the increases using known figures and estimates, when preparing the draft budget. Decisions about the salaries of Headteacher and Executive Headteacher are made by the Trustees which may be delegated to a remuneration committee.
 - **Premises maintenance** – a combination of maintenance surveys and historical costs will form the basis for planned maintenance. The CFO will incorporate an allowance for unexpected contingencies, as well as for any small new works which may be proposed in-year. Staff members will

follow the procedure outlined in the Staff Handbook/Induction Pack when requesting maintenance of premises or new work.

- 8.7. The SBM will keep an up-to-date record of the income and expenditure for their academy.
- 8.8. The SBM will bank the entirety of any money collected in return for goods or services, such as a school trip, in the appropriate bank account.
- 8.9. The SBM is responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system.
- 8.10. Reconciliations will be prepared promptly following the banking of money and will be reviewed and certified by the CFO.

9. Investments

- 9.1. Where the board of trustees wishes to make investments to further the trust's charitable aims, it will ensure that investment risks are properly managed.
- 9.2. When considering an investment, the board will:
 - Act within its powers to invest as set out in the articles of association
 - Act in line with the trust's Investment Policy and review this policy on a regular basis.
 - Ensure value for money.
 - Take advice from professional advisers where appropriate.
 - Ensure that exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximisation.
 - Ensure investment decisions are in the best interests of the KMAT.
- 9.3. Approval will be sought from the ESFA prior to any investment transactions that are novel, contentious and/or repercussive.

10. Borrowing and debt

- 10.1. Approval will be obtained from the ESFA before borrowing from any source, where such borrowing will be repaid from grant monies or secured on assets funded by grant monies.
- 10.2. Credit cards will only be used for business expenditure.
- 10.3. Payment via credit card requires the same authorisation as that of cheques.
- 10.4. Credit card balances will be cleared before any interest accrues.
- 10.5. The trust will prepare and monitor financial plans to ensure ongoing financial health.
- 10.6. The trust will disclose aggregate figures for transactions of any amount and separate disclosure for individual transactions above £5,000 in its audited accounts for writing off debts and losses, as well as guarantees, letters of comfort and indemnities.

- 10.7. The CFO will contact individuals of any outstanding debts owed after 30 days of the notification of payment, e.g. an invoice being sent.
- 10.8. The CFO will issue payment reminders to any non-payments at the following intervals:
- 4 weeks from the invoice being sent – first reminder
 - 6 weeks from the invoice being sent – second reminder
 - 10 weeks from the invoice being sent – final reminder
- 10.9. If, after the final reminder is sent, payment is not received in full, the CFO will send a letter informing them that if they do not receive payment within 14 days then they will refer the matter to a small claims court.
- 10.10. Debts over £250, up to £1000 will be written off with the approval of the Finance Committee. Debts over £1000 will not be written off without the express approval from the board of trustees and the ESFA.
- 10.11. The CFO will keep accurate records of the debt process, including:
- Logging invoices and receipts on the trust's accounting system.
 - Keeping any emails pertaining to debt collection for three months after the payment has been made.
 - Keeping emails of payment notifications, ensuring each email clearly states the number of the reminder and the date it was sent.

11. Fixed assets

- 11.1. The trust will obtain approval from the ESFA for the following transactions:
- Acquiring a freehold of land or buildings
 - Disposing of a freehold of land or buildings
 - Disposing of heritage assets, as defined in financial reporting standards, beyond any limits in the trust's funding agreement for the disposal of assets generally
- 11.2. Other than the transactions outlined in 11.1, the trust does not need the ESFA's approval to dispose of any other fixed assets.
- 11.3. Any disposal will maintain the principles of value for money, regularity and propriety.

12. Leasing

- 12.1. For the purpose of this policy, there are two types of lease:
- Finance lease – a form of borrowing
 - Operating leases – not a form of borrowing
- 12.2. The trust will obtain approval from the ESFA for the following lease transactions:
- Taking up a finance lease on any class of asset for any duration from another party.

- Taking up a leasehold or tenancy agreement on land or buildings from another party for a term of seven or more years.
- Granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party.

12.3. Any lease will maintain the principles of value for money, regularity and propriety.

13. Gifts

13.1. The decision to make gifts will be documented and have regard to propriety and regularity.

13.2. The Gifts, Hospitality and Anti-bribery Policy (TBA) sets out the trust's procedures relating to the acceptance of gifts, hospitality, awards, prizes and any other benefit that might be seen to compromise the judgement or integrity of the trust.

14. Related party transactions

14.1. All academies within the KMAT will act in accordance with the Conflicts of Interest Policy.

14.2. The KMAT will be even-handed in their relationships with related parties by ensuring:

- Compliance with their statutory duties to avoid conflicts of interest, benefits are not accepted from third parties, and interests in proposed transactions or arrangements are declared.
- A register of interests has been completed.
- No member of the KMAT uses their connection to the trust for personal gain.
- All payments are permitted by the articles of association or by authority from the Charity Commission.
- The Charity Commission approves payments to a trustee where there is a significant advantage to the academy.

14.3. The board of trustees will ensure procedures pertaining to related party transactions are applied across the KMAT.

14.4. The board of trustees and accounting officer will manage personal relationships with related parties to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with the seven principles of public life.

14.5. The chair of trustees and the accounting officer will ensure their capacity to control and influence does not conflict with requirements.

14.6. The trust recognises that some relationships with related parties may attract greater public scrutiny, such as the following:

- Transactions with individuals in a position of control and influence, including the chair of trustees and the 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
- 14.7. The trust will keep up-to-date records and make sufficient disclosures in their annual accounts to show accordance with the high standards of accountability and transparency required within the public sector.
- 14.8. The trust will report all related party transactions made on or after 1 April 2019 to the ESFA in advance of the transaction taking place.
- 14.9. The trust will obtain approval from the ESFA for related party transactions that are novel, contentious and/or repercussive.
- 14.10. The trust will obtain approval from the ESFA for contracts 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 apply:
- The contract exceeds £20,000
 - The contract, regardless of the value, would exceed £20,000 in the same financial year ending 31 August
 - The contract, regardless of the value, would exceed £20,000 individually or cumulatively with the related party in the same financial year ending 31 August
- 14.11. For the purpose of reporting to, and approval by, the ESFA, related party transactions do not include salaries and other payments made by the KMAT to a person under a contract of employment through the trust's payroll.

Register of interests

- 14.12. All business and pecuniary interests will be recorded on the Register of Interests, including:
- Directorships, partnerships and employments with businesses.
 - Trusteeships and governorships at other educational institutions and charities.
 - For each interest: the name of the business, the nature of the business, the nature of the interest and the date the interest began.
- 14.13. The Register of Interests will identify any relevant material interests from close family relationships between the trust's members, trustees or local governors. Relevant material interests arising from close family relationships between these individuals and employees will also be identified.
- 14.14. The Register of Interests will be reviewed annually ensuring all information is up-to-date and amended when any new interests are declared.
- 14.15. The relevant business and pecuniary interests of members, trustees, local governors and the accounting officer will be published on the trust's website.

'At cost' requirements

14.16. The trust will not pay more than 'cost' for goods or services provided by the following:

- Any member or trustee of the KMAT
- Any individual or organisation related to a member or trustee of the trust, namely:
 - A relative of a member or trustee: 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 conducting 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 percent of the share capital or is entitled to exercise more than 20 percent 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) – 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 trust, or any body connected to the individual or organisation.
- Any individual or organisation recognised by the Secretary of State as a sponsor of the trust, or any body connected to the individual or organisation.

14.17. A body is connected to an individual or organisation if it is controlled by the individual or organisation, controls the organisation, or is under common control with the individual or organisation, namely any of the following:

- Holding a greater than 20 percent capital share or equivalent interest
- Having the equivalent right to control management decisions of the body
- Having the right to appoint or remove a majority of the board or governing body

14.18. 'At cost' requirements do not apply to the trust's employees unless they are employed by one of the parties outlined in [14.16](#).

14.19. 'At cost' requirements apply to contracts for goods and services from a related party agreed on or after 7 November 2013.

- 14.20. 'At cost' requirements apply 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.
- 14.21. If any of the parties outlined in [14.16](#) are based in, or work from, the trust's premises, the trust will agree an appropriate sum to be paid to the trust for use of the premises, unless the party is conducting work on behalf of the trust.
- 14.22. 'At cost' requirements apply to legal advice or audit services when the organisation's partner directly managing the service is a member or trustee of the trust, but not in other cases.
- 14.23. The trust will ensure that any agreement with an individual or organisation referred to in [14.17](#) is procured through an open and fair process and is:
- Supported by a statement of assurance from the individual or organisation to the trust confirming their charges do not exceed the cost of the goods or services.
 - 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.
- 14.24. The cost will be the full cost of all the resources used in supplying the goods or services and will not include any profit. Full cost includes:
- All direct costs – the costs of any materials and labour used directly in producing the goods or services
 - Indirect costs – a proportionate and reasonable share of fixed and variable overheads

15. Payroll

- 15.1. Payroll forms the largest element of the school budget and it is, therefore, essential that financial procedures and internal controls in relation to payroll are properly implemented.
- 15.2. All payroll transactions relating to KMAT staff, permanent or casual, will be processed through the payroll system. Payments for employment will not be made through any other mechanism.
- 15.3. Each academy within the KMAT will act in accordance with the Staff Pay Policy.
- 15.4. The main elements of the payroll system include staff appointments, payroll administration and payments.
- 15.5. Payroll is notified of any staff absence using the absence recording system.
- 15.6. The headteacher and SBM are responsible for ensuring that:
- Payments are made only to bona fide employees.
 - Payments are in accordance with individuals' conditions of employment.

- Deductions, including income tax, national insurance and pensions, are properly administered.
 - Payments are made only in respect of services provided to the school.
 - Amendments to the payroll are properly processed.
- 15.7. The SBM is responsible for keeping the staff personnel database up-to-date via the designated recording system. This will include the following information about staff members:
- Salary
 - Bank account details
 - Taxation status
 - Personal details
 - Any deductions or allowances payable
- 15.8. During the Spring term each year, the Executive Headteacher, Headteacher and the CFO will review staffing requirements for the following academic year and propose any changes. These proposals will be reviewed through the budget which is approved by the finance committee.
- 15.9. The finance committee is responsible for authorising the following salary changes:
- Pay awards for support staff
 - Staffing structure changes
 - Performance related pay progression
- 15.10. The SBM will randomly select one employee each month and check the calculation of gross to net pay, to ensure that the payroll system is operating correctly.
- 15.11. Payroll is continuously monitored and reviewed by the CFO/SBM to ensure any changes have been implemented correctly and the information is up-to-date.
- 15.12. Payslips will be produced on a monthly basis and administered to employees via secure email, or in person where requested, on the last working day of each month.

Executive pay

- 15.13. The board of trustees will ensure that executive pay follows a robust evidence-based process and is reflective of the individual's role and responsibilities. A remuneration sub-committee will approve payments for ratification by the Trust Board.
- 15.14. No individual will be involved in deciding their salary.
- 15.15. The board of trustees will discharge its responsibilities effectively, ensuring its approach to pay is transparent, proportionate and justifiable, including:
- **Process** – that the procedure for determining executive pay is agreed by the board in advance and documented.
 - **Independence** – decisions about executive pay reflect independent and objective scrutiny by the board and conflicts of interest are avoided.

- **Decision-making** – factors in determining pay are clear, including whether performance considerations, and the degree of challenge in the role, have been considered.
- **Proportionality** – pay is defensible relative to the public-sector market.
- **Documentation** – the rationale behind the decision-making process, including whether the level of pay reflects value for money, is recorded and retained.
- A basic presumption that non-teaching pay should not increase at a faster rate than that of teachers, in individual years and over the longer term.
- Understanding that inappropriate pay can be challenged by the ESFA, particularly in any instance of poor financial management of the trust.

15.16. Information about the gender pay gap in the KMAT is published on the trust's website.

16. Charging and remissions

- 16.1. The KMAT is responsible for ensuring that each school within the KMAT creates a Charging and Remissions Policy.
- 16.2. Each academy is responsible for creating and reviewing its Charging and Remissions Policy.
- 16.3. Charging is permitted for education provided out of school hours, unless it is within the requirements of the national curriculum or to fulfil statutory duties relating to RE.
- 16.4. The LGB, in conjunction with the finance committee, can choose to remit charges wholly or in part.
- 16.5. The KMAT may charge parents for the cost to replace items broken, damaged or lost if it is due to pupil behaviour.
- 16.6. Payments for activities will be processed and recorded by the SBM.
- 16.7. The SBM is responsible for ensuring that the correct invoices are sent to parents, and that payment is received.
- 16.8. The finance committee will review the Charging and Remissions Policy annually, seeking advice from the CFO where necessary.

17. VAT procedures

- 17.1. The KMAT, and the academies within it, are registered for VAT and are entitled to reclaim VAT on qualifying purposes through a monthly VAT return.
- 17.2. Under legislation, VAT claims can be made on expenditure which supports the KMAT's core business purposes.
- 17.3. A report is run for each of the academies within the KMAT by the CFO, to provide the data necessary for the completion of the VAT reclaim form.
- 17.4. VAT is reclaimed monthly.
- 17.5. Only one return for the KMAT is required by HMRC; however, individual academies are required to produce their own return.

- 17.6. The KMAT is eligible to reclaim most of the VAT it pays on invoices from HMRC.
- 17.7. Any invoices for which VAT cannot be reclaimed, as the purchases were for business activity, are identified and deleted.
- 17.8. Where invoices relate partly to business activity and partly to non-business activity, only the proportion of the VAT relating to the non-business activity will be reclaimed.
- 17.9. The KMAT will not recoup the VAT element of journeys in the UK or abroad which are identified in invoices unless the trust is making substantial and direct cash subsidies for each pupil.
- 17.10. Reclaimed VAT will not be debited to the individual academies, but to the VAT control account of the KMAT.
- 17.11. On receipt of the reclaimed VAT from HMRC, the CFO will review the remittance, confirm whether this equals the claim made and sign the remittance to confirm this agreement.

18. Risk management

- 18.1. The KMAT will manage risks to ensure its effective operation, including contingency and business continuity planning.
- 18.2. The KMAT will have adequate insurance cover in compliance with its legal obligations or will become a member of the academies [risk protection arrangement](#).
- 18.3. The KMAT will cooperate with risk management auditors and risk managers and will implement any reasonable recommendations made to them.

19. Special payments

- 19.1. For the purpose of this policy, special payments may include the following, however, this is not an exhaustive list:
 - Staff severance payments.
 - Compensation payments.
 - Ex gratia payments.
- 19.2. Where the KMAT considers making a staff severance payment above statutory or contractual entitlements, the following factors will be considered prior to making the commitment:
 - The proposed payment is in the interest of the trust
 - The payment is justified, based on legal assessment of the chances the trust will successfully defend the case at employment tribunal
 - The level of settlement is less than the legal assessment of what the relevant body will award
- 19.3. Under no circumstances will the KMAT make severance payments where the money could be interpreted as a reward for insubordination or failure.

- 19.4. For severance payments greater than £50,000, the KMAT will seek approval from the ESFA. The ESFA will refer the transaction to HM Treasury so the trust will allow sufficient time for this to be considered.
- 19.5. Value for money will be shown for all severance payments.
- 19.6. Compensation payments will take account of the facts of the matter ensuring value for money is achieved.
- 19.7. For compensation greater than £50,000, approval from the ESFA will be sought.
- 19.8. The KMAT will consider whether cases reveal concerns pertaining to the effectiveness of internal control.
- 19.9. Ex gratia payments will always be referred to the ESFA for approval.

20. Annual accounts

- 20.1. The trust will maintain accounting records and prepare an annual report and audited accounts in line with the Charity Commission's [Statement of Recommended Practice](#) and the ESFA's [Accounts Direction](#).
- 20.2. The audited accounts will be:
 - Submitted to the ESFA by 31 December each year
 - Published on the trust's website by 31 January
 - Filed with Companies House in accordance with company law requirements, usually by 31 May
 - Provided to anyone who requests a copy

21. Auditing

Internal auditing

- 21.1. Internal scrutiny will be conducted within the KMAT, alongside the work of an external auditor.
- 21.2. The trust will carry out an audit to manage risk and to check controls; the results of the audit will inform the accounting officer's statement on regularity, propriety and compliance.
- 21.3. The trust will confirm, in its governance statement, the method(s) it uses for internal scrutiny and why these are used.

Findings arising from internal scrutiny will be used to inform the accounting officer's statement of regularity in the annual accounts.

External auditing

- 21.4. The KMAT will appoint an external auditor to certify whether its annual accounts present a true and fair view of the trust's financial performance and position.
- 21.5. The contract with the external auditor will be in writing and be accompanied by a [letter of engagement](#) that only covers the details of the external audit including the requirements of the DfE.

- 21.6. The letter of engagement will also include details of the removal of external auditors, before the expiry of the term of office, in exceptional circumstances.
- 21.7. The board of trustees will notify the ESFA immediately of the removal or resignation of the auditors.
- 21.8. The accounting officer will produce a statement on regularity, propriety and compliance and this will be included in the trust's annual accounts.
- 21.9. The statement on regularity, propriety and compliance will include a responsibility to ensure that:
- There is efficient and effective use of resources in their charge.
 - Public money is spent for the purposes intended by parliament.
 - Appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under their control.
- 21.10. The KMAT will respond promptly, reasonably and appropriately to any findings by the auditors.
- 21.11. The DfE will be informed within 14 days if the KMAT appoints or terminates the contract of:
- An accounting officer or CFO, including their contact information.
 - A chair of trustees.
 - A member, trustee or governor.
- 21.12. All copies of the accounting audit will be stored and filed securely, in line with the trust's Data Protection Policy.

22. Record keeping

- 22.1. All financial transactions of the trust are recorded including, but not limited to, the following:
- Purchases and tenders
 - Returns
 - Payroll
 - Cash flow
 - Income and expenditures
 - VAT returns
- 22.2. The CFO is responsible for keeping up-to-date records of the KMAT's financial state.
- 22.3. The SBM is responsible for keeping up-to-date records in relation to the finances of their academy.
- 22.4. Records will include the following information:
- Income and expenditure; identifying which transactions were cheques and which were cash payments
 - The income and expenditure for each activity, with the activity recorded as a budget heading

- A balance sheet which identifies total income, expenditure and the balance for each budget heading
 - The total income and expenditure for the year
 - The balance and carry forward from the previous year
 - Identified profit and loss – any causing concern is investigated
- 22.5. Each academy has its own set of financial records for day-to-day operational purposes and budget management.
- 22.6. A record will be kept of all the monies kept on the premises prior to banking, as well as the amount which is kept as petty cash.
- 22.7. All financial records will be kept securely in each academy's admin office.

23. Whistleblowing and fraud

- 23.1. The KMAT puts proportionate controls in place to mitigate the risks of fraud, theft and irregularity, e.g. regular inspections addressing risks.
- 23.2. Where instances of fraud, theft or irregularity are suspected or identified the board of trustees will investigate it promptly and should any evidence of fraud be found, they will take appropriate action.
- 23.3. In any instance of fraud, theft or irregularity whereby the amount defrauded comes to a total exceeding £5,000 in a financial year, the board of trustees will report it to the ESFA as soon as they become aware of it.
- When reporting to the ESFA on instances of fraud, theft or irregularity, the academy will include the following information:
 - Full details of the event(s) with all key dates
 - The financial value of the loss
 - The measures taken by the trust to prevent recurrence
 - Whether the matter was referred to the police and if not, the reasons why
 - Whether the insurance or the risk protection agreement have offset any loss
- 23.4. If a member of staff suspects their colleagues are involving them in Matters of fraud, they have a duty, as an employee of the trust, to raise suspicions to a member of their SLT.
- 23.5. Reports of fraud will be treated in a fair and unbiased manner.
- 23.6. If the report of fraud is against a member of the SLT, the member of staff can go directly to the chair of trustees.
- 23.7. The SLT of the relevant academy within the KMAT will be responsible for the initial enquiries of fraud, theft or irregularity – they will then pass on their findings to the board of trustees for further inspection.
- 23.8. Upon receiving the SLT's initial findings, the board of trustees will:
- Determine whether further investigation is warranted.
 - Determine the initial response to the alleged perpetrator when this is a member of school staff.

- Determine who will carry out the investigation.
- Determine which outside agencies will be involved.
- Assess the risk of the fraud and the perpetrator to the academy.
- Determine to whom day-to-day management of the response will be given.
- Allocate responsibility for damage limitation action.
- Determine the course of action to recover losses.
- Determine the course of action to be taken against the perpetrator.
- Evaluate the events which enabled the fraud to occur.
- Ensure preventative action is taken to prevent recurrence.
- Report any excessive fraud (over £5,000) to the ESFA.

23.9. The KMAT's **Whistleblowing Policy** outlines the procedures to follow in the event of a report being made by a member of staff, as well as the appeals process and what can be done in the event of a whistleblower being treated unfairly.

23.10. The headteacher will ensure all their staff are aware of the Whistleblowing Policy, ensuring that they understand the process of reporting a concern and what they can expect once they have brought a concern to the attention of the academy.

23.11. All concerns raised by whistleblowers are responded to properly and fairly in line with the Whistleblowing Policy.

24. Monitoring and review

24.1. This policy will be reviewed on an annual basis, or when new legislation/guidance regarding the subject is published, by the KMAT Board and the Accounting Officer.

24.2. The CFO will review and monitor all financial records continuously throughout the year.

24.3. The SBM will review and monitor each academy's financial records, raising any concerns with the CFO.

24.4. The next scheduled review date for this policy is _____