

Ormiston Academies Trust

OAT Financial Regulations Manual

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1. Overview

- 1.1. The OAT finance team co-ordinates the financial activities of your Academy, helping standardise processes where it is sensible to do so (to nurture efficiency and best practice), while giving you the freedom to manage your own financial affairs.
- 1.2. We manage certain financial services centrally, such as statutory and internal auditing, insurances, banking, payroll and management of the accounting system. In this way, we work together to achieve economies of scale, saving you money when buying goods and services.
- 1.3. We help all Academies to manage their budgets effectively and generate surpluses in the medium term giving your governing body and the OAT Trustees confidence in all aspects of your ongoing viability.
- 1.4. The purpose of this manual is to ensure that each OAT Academy develops and maintains effective internal controls, processes and financial systems. It is essential that these systems operate properly to meet the requirements of our funding agreement with the Department for Education (DfE) and the guidance from the Education Skills and Funding Agency (ESFA).
- 1.5. We will collaborate internally and externally to identify ways by which we can become more effective and efficient. As we evolve, we will update this handbook as appropriate.

2. Academies Financial Handbook

- 2.1. All Academies are required, as a condition of the Trust's funding agreement, to comply with the Academies Financial Handbook published by the ESFA. The Handbook is revised and updated for each academic year, and is available at <https://www.gov.uk/government/publications/Academies-financial-handbook>. The Handbook sets out the financial management, control and reporting requirements that apply to all Academy Trusts. It describes a financial framework for Trusts that focuses on principles rather than detailed guidance and reflects the accountability of all Academies to Parliament and to the public. All finance team members are expected to have read and be familiar with the requirements of the Academies Financial Handbook.
- 2.2. In the event of an inconsistency between this manual and the current version of the Academies Financial Handbook, the guidance in the Handbook should be applied. Please notify the Head of Compliance and Reporting (claire.lovell@ormistonacademies.co.uk) if any such inconsistency is identified.

3. Structure

- 3.1. Ormiston Academies Trust is a limited company, and an exempt charity.
- 3.2. The structure of the Trust enables the Accounting Officer (who is also the Chief Executive Officer), to discharge his responsibility to the ESFA for ensuring the regularity and propriety of all expenditure of its funds and for ensuring value for money.

3.3. The ESFA defines “value for money” as:

“Achieving the best possible educational and wider societal outcomes through the economic, efficient and effective use of all the resources in the Trust’s charge, the avoidance of waste and extravagance, and prudent and economical administration.”

4. Finance team

4.1. The OAT finance team is led by National Director of Finance. The Head Office (HO) finance team includes:

- Head of Finance
- Head of Compliance and Reporting
- 2 x Heads of Academies Finance
- 3 x Finance Managers
- 2 x Finance Assistants

4.2. Part of the role of the Head of Academies Finance (HOAF) is to work closely with the Academy Finance Directors to ensure that the Academies have appropriate financial systems and controls in place.

4.3. A regional structure showing how the Academies are allocated into the above regions available on OATnet at <https://oatoe.sharepoint.com/sites/oatnet/Academies/Pages/Start.aspx>.

4.4. The HO finance team support the Academy Finance Directors in delivering sound financial management in the areas for which they are responsible.

5. Finance calendar

5.1. A Finance calendar is available on the finance section of OATnet. The calendar shows the timing of the following activities:

- Management accounts
- Budgeting process, including curriculum led financial planning
- VAT returns
- Internal audit
- External audit and financial reporting
- ESFA return deadlines

5.2. Additional detail on the above areas is included later in this document.

6. Academy funding

ESFA funding

6.1. Head office receives the funding for the Academies from the Education and Skills Funding Agency (ESFA) on a monthly basis.

6.2. The main source of funding for Academies is the General Annual Grant (GAG). GAG payments are received monthly in advance at HO, and include the following elements:

- School Budget Share

This is calculated on the same basis as for maintained schools in the same local authority. A minimum funding guarantee is in place to protect this element of funding (for Y7-11) which limits any reduction in funding in comparison to the previous year to 1.5%.

- Additional funding where relevant:

- High Needs places

High needs funding is received from both the ESFA and from local authorities, as local authorities are responsible for commissioning education provision for pupils that attract high needs funding.

- Post-16 funding

Post 16 funding is calculated using the 16 to 19 national funding formula and supplemented by additional funding for high needs students, bursaries and other financial support awarded to individual students. Additional information is available at <https://www.gov.uk/guidance/16-to-19-education-funding-allocations>.

- Start-up funding for new Academies

6.3. In addition to GAG funding, Academies may receive additional funding such as:

- Pupil Premium –additional funding to raise the attainment of disadvantaged pupils of all abilities and to close the gaps between them and their peers.
- Early years funding
- National non-domestic rates (NNDR) – Academies are required to submit an online form to receive rates relief for Academy buildings.
- PE and sport premium for primary schools
- Universal infant free school meals
- High needs top-up funding

6.4. Guidance on how the above income streams should be recognised in the management accounts and financial statements is included in the Accounting Treatments section of this manual.

Partnership fee

- 6.5. All academies which are part of Ormiston Academies Trust provide a partnership fee to the trust for the central services which it provides. The services which the trust currently provides to its academies include school improvement, governance, human resources, marketing, finance, information technology, legal, PR and media, estates and compliance.
- 6.6. The current partnership fee is calculated based on a percentage of the academies GAG allocation less notional funding and less SEN funding.
- 6.7. The revised calculation of the partnership fee for the 21/22 budget will be communicated to the academies in February 2021.

7. Accounting system, internal controls and processes

Accounting system

- 7.1. All OAT Academies are required to use the Hoge Access Dimensions accounting software package, and the Hoge Finance Portal for purchase orders.
- 7.2. The system is operated on a hosted desktop – the R drive (Reports) includes a folder of Process Notes which provide guidance on how to perform various tasks in Dimensions.
- 7.3. The password on Hoge Access Dimensions should be changed every 2 months.
- 7.4. The Finance Directors of each Academy, in conjunction with the HOAF are responsible for ensuring that the Hoge user rights are appropriate for each member of staff.
- 7.5. The Finance Director is also responsible for backups. Although a backup is done automatically by the system, additional backups should be performed by the Finance Director before running each period end, and at year end.
- 7.6. Finance Directors should also prepare a Business Recovery Plan, and this must include the requirements for back up procedures. Further details surrounding this will be included in the relevant policy which will be issued shortly.
- 7.7. The Hoge team are also available to provide support using the following contact details:
 - Tel: 01905 947257
 - Email: support@hoge100.co.uk

Bank and cash

- 7.8. Each Academy has its own current account, which is held with Lloyds as part of a Trust-wide bank facility. Academies are not permitted to open any bank account with another provider.
- 7.9. Head office operates separate accounts for cash held centrally on behalf of Academies (the Academies Funding Account), and for capital funds. This structure allows the Trust to manage cash more effectively.
- 7.10. All ESFA revenue funding is received into the central Academies Funding Account, and all Academy payroll payments are made from this account. These payments are processed via BACS by EPM, the Trust's payroll provider.
- 7.11. A cash transfer will be made from the Academies Funding Account to each Academy each month to fund supplier payments that are paid locally by Academies. A cash flow forecasting model is maintained centrally based on the actual and budgeted I&E information from Hoge. This is used to determine the monthly cashflow transfer, which is calculated to give each Academy sufficient cash to make local supplier payments, and also to maintain a cash buffer to allow for timing differences between budgeted and actual receipts and payments. Further detail as to how this is accounted for is included in the Accounting section of this manual.
- 7.12. The central finance team prepare the monthly cash flow forecast so there is no requirement for a cash flow forecast to be prepared by Academies. Academy finance teams are however expected to monitor their cash flow and ensure that the current account remains in a credit position.
- 7.13. The Lloyds accounts are structured using a single head office mandate. The mandate requires two authorised signatories to sign all banking documents. Forms for the creation of new direct debits or standing orders should be emailed to finance@ormistonacademies.co.uk and the central finance team will arrange for the form to be signed in accordance with the mandate and returned to the Academy.

Online banking- Lloyds CBO

- 7.14. Academy current accounts are managed through the Lloyds online banking system – Lloyds CBO.
- 7.15. The Head Office finance team will act as Administrators for online banking. Requests for changes to user details should be emailed to finance@ormistonacademies.co.uk
- 7.16. Payment processes and approvals:
- Suppliers are paid by BACS run – payments are imported from Hoge and approved locally subject to the authorisation limits table, below. If it is to be approved by HOAF/HOCR or Head Office then the Hoge payment report should be attached to the email requesting approval. Approvers are then required to confirm that the import method of payment has been used – no further bank account checks are then needed

7.17. Manual payments:

- Once these have been created locally, the support should be sent to finance@ormistonacademies.co.uk for central approval – this needs to be a document signed by the relevant parent. A template is to be included on OATnet.
- If there is segregation of duties within the academies between inputting the payment and checking the necessary supporting documents, then it is sufficient to upload to the portal the signed form by the reviewer to confirm this independent review.
- If repeated payments are to be made to the same account (e.g. bursaries) then the recommended approach is for the academy to set up a payment template – provide bank details support (as above) to Head Office for approval of template. Once template is approved, future payments against the templates will still need HO approval but bank details support doesn't need to be re-submitted.

7.18. A dual authorisation is required for payments on Lloyds CBO, with one user initiating a payment and a second user authorizing the payment. An outline of the role structure within Lloyds is given below:

Role	Import payments	Authorise payments	View statements
Finance manager	Yes – own academy account		
Finance assistant 2	Yes – own academy account	No	Yes – own academy account
Finance assistant 1	Yes – own academy account	No	No
Principal	No	No	Yes – own academy account

7.19. Users have been assigned roles which have been standardised as outlined above.

7.20. Standardised authorisation limits have been introduced, as follows:

	Single payment authorisation limit (A)	Payment run authorisation limit (B)	If either payment limit A or B are exceeded, payment to be authorised by:
Finance manager – Primary academy	£30,000	£75,000	HOAF or HOCR

Finance manager – Secondary academy	£30,000	£200,000	
Head Office 2	£300,000	£350,000	Head Office 1
Head Office 1	£500,000	£1,000,000	N/A

7.21. These limits have been set following a review of current payment levels, and are designed to allow payments to be made efficiently, whilst managing risk. These will be kept under review, and are subject to change should the circumstances of a particular academy require lower levels to be applied to increase the level of oversight at a regional or central level.

7.22. All bank accounts must be reconciled on a monthly basis. Reconciling items must be investigated and cleared on a timely basis. The reconciliation must be reviewed by a more senior member of staff, and signed as evidence of this review. Appropriate segregation of duties must be in place. The monthly bank reconciliations are included in the Month-end reporting packs. The control account reconciliations/management accounts template has been renamed the Month-end reporting pack.

Procurement card

7.23. Procurement cards should be reconciled on a monthly basis, and receipts should be available to support all transactions, in accordance with the procurement policy.

7.24. The procurement card reconciliation is included in the month-end reporting pack.

Purchase ledger

7.25. Purchasing must be undertaken in accordance with the policy outlined in the “Purchasing” section of this document and in accordance with the procurement strategy.

7.26. The purchase ledger must be reconciled to the purchase ledger control account each month. Reconciling items must be investigated and resolved on a timely basis. The reconciliation must be reviewed by a more senior member of staff, and signed as evidence of this review.

7.27. The Finance Directors must also review the purchase ledger on a monthly basis to investigate debit balances and any unusual items. Direct debits may appear as debit balances on the purchase ledger if an invoice has not been received. Monitoring of these balances should then ensure that the appropriate charge is made to the I and E account for any direct debit expenses.

7.28. Academies should ensure that where possible suppliers are paid within their agreed terms. Transactions should ideally not be entered into with suppliers whereby the terms of trade are less than 14 days, or if shorter terms are agreed then this needs to be highlighted to finance to ensure

that the decreased payment terms are updated in hope and therefore payments are able to be made on a timely basis. Creditor ageing will be monitored on the aged creditors control account reconciliation.

- 7.29. Finance teams must remain alert to the risk of mandate fraud. All new suppliers and any changes to existing supplier's bank details are authorised at head office. New supplier information and requests to make changes to existing supplier information must be verified in accordance with the 'mandate fraud policy', which is available on the finance section of OATnet. Please also refer to the 'anti-fraud policy'. There is also a fraud flow chart included in the anti- fraud policy, which details the process that needs to be followed if a fraud is identified.
- 7.30. Academy Trusts must be aware of the risk of fraud, theft and irregularity and address this risk by putting in place proportionate controls. Trusts must take appropriate action where fraud, theft or irregularity is suspected or identified.
- 7.31. The Trust must notify the ESFA as soon as possible, of any instances of fraud, theft and/or irregularity exceeding £5,000 individually, or £5,000 cumulatively in any Academy financial year. Any unusual or systematic fraud, regardless of value must also be reported. If there are any such instances at your Academy, in the first instance please contact National Director of Finance.

Sales ledger and credit control

- 7.32. The sales ledger must be reconciled to the sales ledger control account each month. Reconciling items must be investigated and resolved on a timely basis. The reconciliation must be reviewed by a more senior member of staff, and signed as evidence of this review.

Inter Academy transactions

- 7.33. A new process is in place for interacademy and head office transactions. Invoicing between academies and head office will no longer be carried out.
- 7.34. Any annual recharges with a recurring amount over a period of months will be charged and included on the interacademy statement. Any individual transactions will also be included in the interacademy statement. Further guidance on this has been issued separately.

Payroll

- 7.35. Education Personnel Management (EPM) provides payroll services to all OAT Academies and are responsible for making all payroll payments from the central Academies Funding bank account using an Indirect BACS facility.
- 7.36. The Finance Directors must review the Draft Costings and Payroll Variances document each month, and reconcile the total gross cost from the current month to that of the previous month. These processes must be completed before the payroll is authorised in the EPM Portal. If the Finance Director is also responsible for submitting payroll variation information, the payroll reports must be reviewed and authorised by the Principal. A standardised payroll journal will be able to be used going forwards to ensure consistent posting of journals and correct use of control accounts across the trust. This will be sent out as soon as it is available.

- 7.37. All payroll control accounts must be reconciled each month. Reconciling items must be investigated and resolved on a timely basis.
- 7.38. The gross payroll cost for each month as recorded in the I&E must be reconciled to the payroll report and any reconciling items investigated and resolved on a timely basis. The payroll reconciliation is incorporated within the month end reporting pack and is required to be completed on a monthly basis.
- 7.39. Payroll reconciliations must be reviewed by a more senior member of staff, and signed as evidence of this review.

Fixed assets

- 7.40. Academy Trusts must obtain approval from ESFA for the following transactions:

- Acquiring freehold land or buildings
- Disposing of freehold land or buildings
- Disposing of heritage assets

- 7.41. Other than land, buildings and heritage assets, Trusts can dispose of any other fixed asset without ESFA's approval. Trusts must ensure that disposal achieves the best price that can reasonably be obtained, and maintains the principles of regularity, propriety and value for money. Any other assets with a carrying amount of above £1000 require approval from the National Director of Finance for the Trust prior to disposal. Further details in relation to this can be found in the 'Asset Management Policy'.
- 7.42. Fixed assets are held centrally on the head office fixed asset register. Academies are required to identify within their annual budgets any assets that they wish to be capitalised. The asset capitalisation threshold is £10,000, which applies to single items or blocks of items purchased together, which may be worth less than £10,000 individually but where the total value exceeds £10,000.
- 7.43. When an academy wishes to purchase a fixed asset they should inform Head Office of the nature and the amount of the asset to be purchased along with the required quotes and raise the PO on the Head Office portal, in accordance with the procurement policy. This will then be recharged to the academy.
- 7.44. The purchases will be added to the Trust's fixed asset register and depreciated in line with this policy, and the Fixed asset register will be reconciled to the nominal ledger on a monthly basis.
- 7.45. A separate Asset Inventory should still be held at each academy and should include the details of the asset and its location. This should include all assets held within the academy, including ones that are less than the capitalisation threshold for insurance purposes.
- 7.46. Further guidance on accounting for fixed assets can be found in the 'Asset Management Policy'.

Journals

- 7.47. A journal log must be maintained listing all journals raised.
- 7.48. Journal vouchers and appropriate supporting documents must be retained for all journal entries.
- 7.49. The HOAF are required to review the journal log and monthly Hoge journal report (“Details of Nominal VJL & NJL Transactions” ACR report, available from Financials tab) to ensure that all journal entries are valid, and to sign the documents as evidence of this review.
- 7.50. Other internal controls and processes:
- ESFA income must be reconciled to the Academies Funding inter-company statement and GAG remittances statements on a monthly basis.
 - The VAT control account must be reconciled to the VAT return on a quarterly basis, with reconciling items investigated and corrected on a timely basis. The reconciliation must be reviewed by a more senior member of staff, and signed as evidence of this review. The VAT return is prepared on a quarterly basis using ForMAT and is submitted to HO. There are changes planned in the future for ‘Making Tax Digital’. Advice on this will be provided when available.
 - All other control accounts must be reconciled on a monthly basis, with reconciling items investigated promptly. Reconciliations must be reviewed by a more senior member of staff, and signed as evidence of this review. If the reconciliations are carried out by the Finance Director, then they need to be signed as approved by the HOAF.

8. Accounting treatments

Accounting policies

- 8.1. Accounting policies are detailed in the OAT financial statements, which are available at http://www.ormistonAcademiesTrust.co.uk/documents_and_policies
- 8.2. Additional guidance is provided below in respect of revenue recognition and fund accounting.

Revenue recognition

- 8.3. The general principle for revenue recognition is that income is recognised when the Trust has an entitlement to the funds, the receipt is probable and the amount can be measured reliably. The accounting treatment required for the main funding streams is outlined below:
- 8.3.1.GAG funding – this is received monthly in advance and so the income should be recognised in the month in which it is received.

- 8.3.2. Pupil premium funding is received quarterly in arrears on 6 July, 6 October, 6 January and 6 April. The payment dates are based on the ESFA's financial year. An adjustment is required each year to accrue income for July and August and recognise a corresponding debtor (accrued income) in the balance sheet so that the income is recognised in the management accounts in the year to which it relates. The amount accrued should be calculated as $\frac{2}{3} \times$ July pupil premium receipt. Pupil premium should be accounted for on a monthly basis, with a corresponding debtor recognised in the balance sheet, until the cash is received and it is released each quarter. It should not be accounted for on a cash basis.
- 8.3.3. Other grant funding – income should be recognised using the principles outlined above. Please contact your HOAF if you need any further guidance.
- 8.3.4. Lettings income – income should be recognised following the receipt of cash and the month in which the activity takes place. The VAT treatment of lettings is complex, further guidance will be provided by the Head of Finance if required.
- 8.3.5. Rate relief – income is received for rates relief in each financial year from April to March. Income should be recognised evenly each month during the period to which it relates. Academies should accrue to budgeted/claimed income based on the ESFA year, and the receipt should be posted to accrued income. In month of receipt, true-up the income recognised for YTD to actual funding. Post an adjustment to remove remaining balance in accrued income to deferred income and release evenly across the remaining period to the following March.
- 8.3.6. Trip income – income for trips should be recognised in the period in which the trip takes place and matched against the related expenditure.
- 8.4. The ESFA provides Devolved Formula Capital (DFC) funding to Academies each year, to be used to fund improvements to buildings and facilities (including ICT), or to fund capital repairs/refurbishments and minor works. DFC funding is held centrally by OAT on behalf of the Academies, to create a life-cycling fund. Applications to use DFC funds should be made to James Miller, National Director of Estates and Technology.

Accounting for monthly transfers

- 8.5. Accounting for the monthly transfers will follow a similar pattern each month:
- 8.6. Income – all of the relevant income codes will be credited, with the amounts stated on the remittance, with corresponding debits to the OAT Academy funding inter- co.
- 8.7. VAT – each quarter the VAT control account will be credited with the amount stated on the VAT return, with a corresponding debit on the OAT Academy funding inter co.
- 8.8. Payroll – Payroll control accounts- net pay, HMRC, TPS and LGPS will be debited with the amounts stated on the EPM reports. Payroll costs continue to be recorded in the I and E, and payroll control accounts as done previously. Payroll payments are to be recorded via the OAT

Academy funding inter co account and checked to make sure that they clear against the liabilities recorded in the payroll control accounts.

- 8.9. Partnership fee – The debit will be made to the I and E partnership fee nominal code, with the credit against the OAT Academy funding inter co.
- 8.10. Cashflow transfers – cash received from HO will be debited into the relevant bank accounts, with the credit against the OAT Academy funding inter co.
- 8.11. Once all of the monthly transactions have been posted ,the balance on the OAT academy funding inter co should be the same as the balance on the statement provided by HO.

Fund accounting

- 8.12. OAT is a charitable company and is required to produce financial statements each year in accordance with the latest Statement of Recommended Practice applicable to Charities (SORP).
- 8.13. The SORP requires the Trust and its Academies to report all income and expenditure analysed into the following funds:
 - Restricted Fixed Asset Fund – resources which are to be applied to specific capital purposes imposed by the DfE where the asset acquired or created is held for a specific purpose. Internally, this is separated into two nominal accounts within reserves:
 - RFAF – NBV of FA c/d – the balance on this reserve should always be equal to the carrying value of fixed assets. Although RFAF are not held at Academies, they are still held at HO.
 - RFAF – capital funding c/d – this represents the value of capital funds which have be received but which are unspent.
 - Restricted General Funds – all other restricted funds received with restrictions imposed by the funder, included revenue grants from the ESFA.
 - Unrestricted Funds – represent resources which may be used towards meeting any of the charitable objects of the Trust at the discretion of the Trustees e.g. additional income generated from property lettings.

Reserves policy and life-cycling

8.14. Reserves are held for the following purposes:

- To cover working capital requirements
- As a contingency to meet unforeseen expenditure (forming part of restricted and unrestricted general funds) e.g. an unexpected large repair bill
- To fund planned and specific future capital expenditure (forming part of the restricted fixed asset fund)
- A fall or rise in sources of income e.g. non-renewal of a grant
- Planned commitments, or designations, that cannot be met by future income alone, e.g. plans for a major asset purchase or a significant project that requires the charity to provide 'matched funding'; and

- The need to fund potential deficits in a cash budget, for example money may need to be spent before funding is raised or received.
- 8.15. The level of reserves is kept under review by the Trustees and they assess it in relation to these purposes and the full range of financial risk identified.
- 8.16. Generally, reserves are to be maintained between a range of 3-5% of the gross income of the Trust as a whole. Reserves should not fall below 2% of the gross income of the Trust as a whole.' This excludes designated reserves and Restricted Fixed Asset Reserves.

Please refer to the reserves policy for further details.

9. Chart of accounts

- 9.1. A new chart of accounts that is more consistent with ESFA return coding has been issued. The main aim of this is to ensure consistency of postings across the Trust and will therefore result in more accurate recording of transactions. Additional codes have also been created to allow better reporting and transparency for interacademy and head office transactions.
- 9.2. Guidance has been issued on what transactions should be included in each code. If there are any queries surrounding this, please contact the Head of Finance so that an agreed, consistent approach can be used.
- 9.3. The chart of accounts also highlights areas in the income nominals that need deferring or accruing depending on timing of when cash is received.
- 9.4. The correct profiling of the budget and the correct use of the nominal codes will ensure that genuine variances are able to be reported and commented upon.
- 9.5. This new chart of accounts has also been replicated in HCSS. This will ensure consistency between the management accounts and the budget process. No other codes should be used for the budget preparation.

10. Month end and management accounts

- 10.1. A new timetable has been prepared for the preparation of the month end reporting pack. The new dates have been included in the finance calendar. The timetable has been moved forward slightly to allow time for appropriate reviews and changes to be made prior to the production of the consolidated management accounts.
- 10.2. Management accounts must be prepared on a monthly basis, using the template which also incorporates the control account reconciliations for all balance sheet items collectively known as the Month-end reporting pack. A template checklist for the management accounts process, including a list of monthly reconciliation requirements, is included within the template. This must be signed off each month, and there must be evidence of a separate independent review.

- 10.3. Monthly Management Accounts must be prepared on an accruals basis. Prepayments and accruals need to be calculated each month for any amounts over £1k. The balance sheet should also be reviewed each month to ensure that any amounts that are included in accrued or deferred income, accruals and prepayments are released correctly each month.
- 10.4. Greater understanding and reporting of deferred and accrued income balances will start to take place during 2021. Further guidance will be issued in due course.
- 10.5. Management accounts will be prepared using a new template in Hoge. The ACR report entitled 'Year end forecast' will be used and exported into excel.
- 10.6. Once the balances have been exported into excel they should not be amended. This will then ensure that the consolidated income and expenditure account and balance sheet are consistent with the individual academy management accounts.

11. Forecasting

- 11.1. Forecasting will be carried out on a monthly basis. This will be based on x months actual, x months budget, plus the academies best estimates of risks and opportunities for the remainder of the year.
- 11.2. Unless with prior agreement from the National Director of Finance, the surplus/(deficit) on the forecast position should be the same or an improvement on the agreed budget position.

12. Covid 19

- 12.1. Academies are facing a number of different challenges as a result of Covid 19, and therefore it was decided that a separate section within the policy would be devoted to Covid.
- 12.2. Segregation of duties – where academies do not have a full finance team in operation due to sickness or isolation, which may result in the segregation of duties being compromised please inform your Heads of Academies finance in the first instance, who will work with you to generate a plan to resolve the issue.
- 12.3. If staff sickness falls over key dates, such as the approval of the payroll, please inform the Head of Academies Finance as soon as you are aware of any issues
- 12.4. Remain vigilant to fraud during these challenging times. Fraudsters are constantly trying to beat systems for their own financial advantage.
- 12.5. The forecasting process has also improved and developed to take into account the uncertainty surrounding Covid 19, and this should be carried out monthly.

13. Purchasing

Procurement strategy

13.1. A revised procurement policy has been issued. The main changes surrounding purchasing limits and 3 quotes is detailed below.

Level	Contract Value & Authority <i>(value established using contract term including extension periods)</i>	Business case required?	Quotations/ Tenders Required?
1	Up to £5,000 Academy Finance Director	No, colleagues with relevant signing authority must be satisfied those purchases represent good VFM and that a contract is not already in place	Use of preferred suppliers must be demonstrated in the first instance. Best value principals must be applied even to current suppliers. No requirement for written quotes unless there is good reason to request a quote from the wider market not on the preferred list.
2	£5,000 to £10,000 Academy Finance Director	No, colleagues with relevant signing authority must be satisfied those purchases represent good VFM and that a contract is not already in place	Use of Trust preferred supplier where available or evidence of invitation to quote to minimum of 3 suppliers with at least 2 written returns.
3	£10,000 to £50,000 Principal, Academy Finance Director and OAT Head of Academies Finance	Yes , colleagues with relevant signing authority must be satisfied those purchases represent good VFM and that a contract is not already in place. HO Procurement team advice is available on request.	Use of Trust preferred supplier where available or evidence of invitation to quote to minimum of 3 suppliers with at least 2 written returns.
4	£50,000 to EU Threshold (June 2020 £189,330* Principal & OAT Head of Academies Finance	Yes, refer to Appendix 2 HO Procurement Team advice must be sought for input to the commercial section.	Invitation to tender to minimum of 4 suppliers with at least 3 returned bids

5	EU Threshold and over* OAT National Finance Director & Finance and Capital Committee	Yes, refer to Appendix 2	EU Procurement Rules / The Public Contracts Regulations 2015 apply
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13.2. Please refer to the procurement policy for further details.

Finance Portal

13.3. Hoge provide an online Purchase Ordering tool, which is compatible with the Hoge Access Dimensions accounting system. All Academies should be using this method of Purchase Order Management for all purchases made within the Academy.

Leasing arrangements

13.4. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee. The classification of a lease agreement as an operating lease or a finance lease depends on the substance of the transaction, rather than on the legal form of the contract.

13.5. Operating leases may be entered into by an Academy.

13.6. Please refer to the leasing policy for further details.

Debt write off

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

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

13.8. Please refer to the debt write off policy for further details.

Procurement cards

13.9. Please refer to the Procurement Card Policy.

Related party transactions

13.10. The Academies Financial Handbook is placing greater emphasis on related party transactions and the way in which they are accounted.

13.11. 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 to accept benefits from third parties, and to declare interest in proposed transactions or arrangements
- All Members, Trustees, local governors of Academies within a MAT, senior employees and budget holders have completed the register of interests, in accordance with the details below:
- The Academy Trust's register of interests must capture relevant business and pecuniary interests of members, Trustees, local governors of Academies within a MAT, senior employees and budget holders, including:
 - Directorships, partnerships and employments with businesses
 - Trusteeships and governorships at other educational institutions and charities

13.12. For each interest: the name of the business; the nature of the business; the nature of the interest; and the date the interest began is required. The register must identify any 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.

13.13. No member, Trustee, 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.

13.14. Please refer to the Register of Business and Pecuniary Interests policy for further details.

Reporting of transactions to the ESFA

13.15. Effective from 1 April 2019, all transactions with related parties need to be reported to the ESFA prior to the transaction taking place. Therefore, all Academies must notify the National Director of Finance of any current related party transactions that meet the criteria that is noted above with immediate effect.

13.16. Going forwards all academies must notify the HOCR of any possible related party transactions prior to the transaction taking place. This will then ensure that the necessary forms are completed and submitted to the ESFA. The Trust is however keen to not transact with any new related parties.

14. Monitoring

Overview

14.1. The financial performance and financial management of the Academies is monitored by the Head of Academies Finance, the Academy's Local Governing Body, the National Director of Finance, the Finance and Capital Committee (FC), (previously the Finance, Oversight and Risk Committee) and the Chair of the Board.

14.2. Head of Academies Finance (HOAF)

- The HOAF will meet with the Academy finance team on a regular basis, to provide support in ensuring that the financial systems and controls in place at the Academy are operating effectively.
- The HOAF and the HOF will review the Academy management accounts and the consolidated management accounts each month and collate the accounts into a report which will be presented to the Executive and Trustees.

14.3. Local Governing Body (or Finance & General Purpose Committee where relevant)

- The LGB should review the latest Academy management accounts at each meeting. This function may be delegated to the F&GP Committee.

14.4. Finance and Capital Committee (FC)

- The HOAF will provide the FC Committee with summarised Academy management accounts on a termly basis for review and challenge. This will also include a consolidated balance sheet and a consolidated cash flow.

14.5. The FC Committee is a committee of the main Board of Trustees. Its purpose is to oversee the efficient and effective management of finance and resources within the Trust.

14.6. Chair of the Board

- The Chair of the Board and the Trustees will review the consolidated management accounts and key performance indicators on a monthly basis. This will include the consolidated Income and Expenditure account, balance sheet and cash flow forecast.

RAG ratings

14.7. Due to the pressure and challenges facing academies as a result of Covid 19, academies will not be RAG rated during 2020/21.

14.8. All academies will be monitored and reviewed consistently on a monthly basis by the Heads of Academies Finance and the National Director of Finance.

Internal audit

14.9. An external accountancy firm is engaged centrally by OAT to perform internal audit services for the Trust. The internal auditor's role includes providing advice on financial matters and performing a range of checks on the Trust's financial systems. On a quarterly basis, the internal auditor reports to the Audit and Risk Committee on the operation of the systems of internal control and on the discharge of the Board of Trustees' financial responsibilities.

14.10. The programme of work by the internal auditor is agreed in advance with the Audit and Risk Committee.

14.11. Internal audit services for the year ending 31 August 2021 will be provided by Mazars.

- 14.12. The findings from the internal audit work must be made available to the Audit and Risk Committee promptly.
- 14.13. The ESFA are placing greater emphasis on internal scrutiny going forwards. As well as focusing on financial controls they are also focusing on non financial controls, such as risk management, governance and procurement.
- 14.14. The ESFA are also focusing on recurring themes and ensuring that the Trust has appropriate procedures in place to ensure that themes do not recur across the Trust.
- 14.15. As a result of this the HOCR will perform spot checks on key themes on a termly basis. The spot checks will include but will not be limited to compliance with the procurement policy and a review of credit card processes. Recurrent themes will also be monitored within the spot checks.
- 14.16. Follow ups will also incorporate the results of spot checks and these will be communicated to the Principals.

External audit

- 14.17. An external auditor is appointed by OAT to provide an audit opinion on the statutory accounts of the Trust, and also to provide an opinion on regularity. The external audit firm is also engaged to audit the Teachers' Pension Scheme returns and to prepare the Annual Accounts Return.
- 14.18. The Academy Finance Director is responsible for preparing all information requested by the external auditor in accordance with the audit timetable, and for answering audit queries on a timely basis. The HOAF finance will support the Academies in their preparations for the audit.

15. Tax compliance

VAT

- 15.1. All OAT Academies¹ are part of a single, Trust-wide VAT registration. Academies are required to maintain their own VAT records and to submit a VAT return to the OAT Management Accountant on a quarterly basis using FORMAT, which is a tool to enable VAT returns to be submitted directly from Hoge. FORMAT allows the VAT returns to be submitted directly to OAT directly from Hoge.
- 15.2. Academies are expected to be in a VAT refund position. The overall refund is remitted to OAT by HMRC and the VAT debtor will be cleared on a quarterly basis by the accounting entries detailed above within the monthly cash transfers.

¹ Excluding Academies which are separate legal entities – currently Birmingham Ormiston Academy and The Gateway Academy.

Employment taxes

15.3. Academies are responsible for ensuring that employment taxes are appropriately applied for all employees; in particular:

15.4. PAYE and NI

- Payroll services are provided by Education Personnel Management (EPM), who will calculate payroll taxes and process the relevant payments on behalf of Academies using an indirect BACS facility.

15.5. P11Ds

- The head office central finance team are responsible for completing all of the P11D's based on information that is provided by the Academies.

15.6. IR35 requirements

- Academies are responsible for assessing the IR35 status of workers using the HMRC employment status tool which is available at <https://www.tax.service.gov.uk/check-employment-status-for-tax/setup>. Workers who are classed as an employee using this tool and so fall within IR35 must have PAYE and NI payments deducted at source. Academies must work with EPM to process payments which fall within the scope of IR35.

Corporation tax

15.7. OAT is a corporate entity and exempt charity, and in accordance with the provisions of the Corporation Taxes Act 2010, profits from a charitable trade (i.e. a trade based on the charitable objects of the Trust) are exempt from corporation tax. This exemption covers the income for running an Academy and ancillary services such as providing school meals, running school trips etc.

15.8. From time to time, HMRC may request that OAT submits a corporation tax return, and in this event the preparation and submission of the return will be coordinated by OAT with the support of an external corporation tax adviser.

16. Risk management

16.1. The Principal is responsible for maintaining the risk register, however the completion of specific risks on the register can be delegated to members of SLT.

16.2. An example risk register has been issued to all academies. This risk register is a standard template which all academies will use and has been pre populated with risks. Risks cannot be deleted, but can be added to based on specific circumstances surrounding the academy.

- 16.3. The risk register needs to be updated on a termly basis and issued to the LGB in accordance with the governance schedule

17. Other finance policies

- 17.1. A number of other finance policies are in place – these are available on OATnet at <https://oatoe.sharepoint.com/sites/policies>

Appendix 1 - Changes in this edition

Partnership fee

- The revised partnership fee will be communicated to the academies in February 2021.

Accounting system internal control and process

- Removal of Year 7 catch up funding
- Procurement card reconciliation will be incorporated into the Month-end reporting pack reconciliation template.
- The control account reconciliations/management accounts template has been renamed the Month-end reporting pack.
- Academies should ensure that where possible suppliers are paid within their agreed terms. Transactions should ideally not be entered into with suppliers whereby the terms of trade are less than 14 days, or if shorter terms are agreed then this needs to be highlighted to finance to ensure that the decreased payment terms are updated in Sage and therefore payments are able to be made on a timely basis. Creditor ageing will be monitored within the monthly control
- A new process is in place for interacademy and head office transactions. Invoicing between academies and head office will no longer be carried out, amounts will instead be included on the interacademy statement.
- Fixed assets are to be purchased centrally from 01 December 2020 in accordance with the Asset Management Policy
- When an academy wishes to purchase a fixed asset they should inform Head Office of the nature and the amount of the asset to be purchased along with the required quotes and raise the PO on the Head Office portal, in accordance with the procurement policy.
- A separate Asset Inventory should still be held at each academy and should include the details of the asset and its location. This should include all assets held within the academy, including ones that are less than the capitalisation threshold for insurance purposes

Accounting treatments

- Updated information surrounding the new reserves policy
- A new chart of accounts that is more consistent with ESFA return coding has been issued. The main aim of this is to ensure consistency of postings across the Trust and will therefore result in more accurate recording of transactions. Additional codes have also been created to allow better reporting and transparency for interacademy and head office transactions.

- A new timetable has been prepared for the preparation of the management accounts. The new dates have been included in the finance calendar. The timetable has been moved forward slightly to allow time for appropriate reviews and changes to be made, prior to the production of the consolidated management accounts.
- Management accounts will be prepared using a new template in Hoge. The ACR report entitled 'Year end forecast' will be used and exported into excel.
- The balance sheet should also be reviewed each month to ensure that any amounts that are included in accrued or deferred income, accruals and prepayments are released correctly each month.
- Greater understanding and reporting of deferred and accrued income balances will start to take place during Autumn 2021. Further guidance will be issued in due course.
- Forecasting will be carried out on a monthly basis. This will be based on x months actual, x months budget plus the academies best estimates of risks and opportunities for the remainder of the year.
- Unless with prior agreement from the National Director of Finance, the surplus/(deficit) on the forecast position should be the same or an improvement on the agreed budget position.
- A separate section has been included on Covid 19 and includes guidance on key dates and segregation of duties.
- A revised procurement policy has been issued. The main changes surrounding purchasing limits and 3 quotes is detailed in the main text.
- Related party transactions and completion of the business and pecuniary interests document now also includes the requirement for all budget holders to complete the document at the start of the year.
- Going forwards all academies must notify the Head of Compliance and Reporting of any possible related party transactions prior to the transaction taking place. This will then ensure that the necessary forms are completed and submitted to the ESFA.
- Reference to the business and pecuniary interests policy
- The Finance, Oversight and Risk Committee is now the Finance and Capital Committee
- The Audit Committee is now the Audit and Risk Committee
- Management accounts will now include a consolidated balance sheet
- Due to the pressure and challenges facing academies as a result of Covid 19, academies will not be RAG rated during 2020/21.

- All academies will be monitored and reviewed consistently on a monthly basis by the Heads of Academies Finance and the National Director of Finance.

Internal audit

- ESFA is placing greater emphasis on internal scrutiny and ensuring that both financial and non financial controls, such as risk management and governance are included in the work programme.
- The ESFA are also keen to ensure that errors do not recur. Therefore spot checks will be carried out on a termly basis, and will include, but not be limited to procurement policy checks and credit card reviews.
- The spot checks, as well as the main compliance reviews carried out by Mazars will then be incorporated into the follow ups, which will be shared with Principals.

Risk

- An example risk register has been sent to all academies. This risk register is a standard template which all academies will use and has been pre populated with risks and mitigating actions. Risks cannot be deleted, but the mitigating actions can be added to based on specific circumstances surrounding the academy.
- The risk register needs to be updated on a termly basis and issued to the LGB in accordance with the governance schedule