



The STAR Multi Academy Trust

Finance Manual

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1. Background

- 1.1 The purpose of this policy and associated procedures is to ensure that the STAR Multi Academy Trust (“the Trust”) maintains and develops systems of financial control which conform to the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of the Trust’s Funding Agreement with the Department for Education (DfE).
- 1.2 The Trust must comply with the principles of financial control outlined in the academy’s guidance published by the DfE. This policy expands on that and provides detailed information on the Trust’s accounting procedures. It should be read by all staff involved with financial systems.
- 1.3 The policy covers finance related policies such as depreciation, Trust companies, reserves, investments, charging and remission, staff expenses and directors’ expenses.
- 1.4 This policy relates to all of the Trust’s academies. Adherence to the principles and procedures contained in this policy is mandatory for all staff.
- 1.5 This policy is designed to be consistent with:
 - ESFA Financial Handbook
 - Trust Articles of Association
 - Master and Supplemental Funding Agreements
 - Companies Act 2006

2 Organisation

- 2.1 The Trust has defined the responsibilities of each person involved in the administration of the Trust finances to avoid the duplication or omission of functions and to provide a framework of accountability for directors and staff. The financial reporting structure is outline below:

The Board of Trustees / Finance Audit and Risk Committee

- 2.2 The Board of Trustees / Finance Audit and Risk Committee of the Trust has overall responsibility for the administration of its academies’ finances and the effectiveness of internal controls.

The main responsibilities of the Board are prescribed in the Trust’s Articles of Association, its Constitution and in the Funding Agreement between the Trust and each of its academies with the Department for Education (DfE).

These responsibilities in relation to financial matters include:

2.2.1. The Board of Trustees

The Board is responsible for ensuring that high standards of corporate governance are maintained, addressing such matters as:

- finance policy development and strategic planning;
- ensuring sound management and administration of the Trust and its academies and ensuring that managers are equipped with relevant skills and guidance;
- ensuring compliance with general legislative requirements;
- establishing and maintaining a transparent system of prudent and effective internal controls;
- management of the Trust's financial, human and other resources;
- monitoring performance and the achievement of objectives and ensuring that plans for improvement are acted upon;
- setting the Trust's standards of conduct and values;
- assessment and managing risk, (including the preparation of a statement on academies risk management, for its annual report and accounts);
- to hold to account each Headteacher and their staff.

2.2.2. Finance Audit and Risk (FAR) Committee

The FAR Committee is responsible for the detailed consideration as to the best means of fulfilling the Trust's responsibility to ensure sound management of the Trust and School finances and resources, including proper planning, monitoring and probity; most particularly by:

- assisting to promote the highest standards of propriety in the use of public funds and encourage proper accountability for the use of those funds;
- promoting a climate of financial discipline and control to reduce or eliminate the opportunity for financial mismanagement.

The Committee is also responsible for scrutinising the Trust and School budgets and finance, internal controls systems and risk management arrangements, most particularly by:

- assisting to promote the highest standards of propriety in the use of public funds and encourage proper accountability for the use of those funds;
- improving the quality of financial reporting by reviewing internal and external financial statements on behalf of the Board;
- promoting a climate of financial discipline and control which will help to reduce the opportunity for financial mismanagement; and
- promoting the development of internal controls and risk management systems which will help satisfy the board that the Trust and its Schools will achieve their objective and targets and are operating:
 - in accordance with any statutory requirements for the use of public funds;

- within delegated authorities laid down by Board of Trustees;
- in a manner which will make most economic and effective use of resources available.

The Chief Executive Officer

2.3 The Chief Executive Officer (CEO) is the Accounting Officer with responsibilities as described in the Academies Financial Handbook.

The Accounting Officer has personal responsibility for the propriety and regularity of the public finances for which he / she is answerable. It must be ensured that, in considering proposals relating to the expenditure or income for which they have responsibilities, all relevant financial considerations are taken into account and full regard is had to any issues of propriety or regularity.

- 2.4 The main responsibilities of the CEO include:
- the development of the annual budget;
 - the development of medium term financial planning
 - the regular monitoring of actual expenditure and income against budget;
 - ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 2006 and the DfE guidance issued to academies;
 - ensuring that the regular reports provided to the Board are timely and accurate;
 - authorising orders and the award of contracts within the approval limits shown in Appendix 1;
 - authorising payments within the approval limits shown in Appendix 1
 - authorising changes to the Trust's personnel establishment.

The Trust's Headteachers/ Executive Headteachers/Head of Schools

2.5 Within the framework of the Trust's Scheme of Delegation, each Headteacher has overall executive responsibility for the schools's activities including financial activities. The Headteacher still retains responsibility for:

- approving new staff appointments within the authorised establishment and within the Scheme of Delegation, except for any senior staff posts which the Board of Trustees have agreed should be approved by them;
- authorising orders and the award of contracts within the approval limits shown in Appendix 1;
- authorising payments within the approval limits shown in Appendix 1;
- ensuring the delivery of the school's annual budget as approved by the Trust;
- monitoring the regular budget reports with the business manager* and acting on overspends or risk.

The Finance Director / Chief Finance Officer/ Chief Operating Officer

2.6 The CFO works in close collaboration with the CEO through whom he or she is responsible to the Trust board. The CFO has direct access to the Board.

The main responsibilities of the CFO are:

- the management of the Trust's financial position at a strategic and operational level within the framework for financial control determined by the Board;
- the maintenance of effective systems of internal control;
- ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of each School;
- the preparation of budgets and medium term financial plans;
- ensuring returns to ESFA and other funding agencies completed correctly and on time;

- ensuring returns to statutory agencies are completed;
- cash flow and treasury management including managing investments
- functional management of Academy business manager*s (under a matrix management approach with School line manager);
- authorising orders and the award of contracts within the approval limits shown in Appendix 1;
- authorising payments within the approval limits shown in Appendix 1.

2.7 The CFO need not discharge all their duties personally. The trust may decide that its needs are adequately served by employing staff or contractors with relevant skills and knowledge at the appropriate time.

It is envisaged that each school will have a business manager* or a person who undertakes the role albeit with a different job title

2.8 The business manager* works in close collaboration with the CFO. The main responsibilities of the business manager* are:

- the day to day management of financial issues;
- placing and or approving orders and the award of contracts within the approval limits shown in Appendix 1;
- authorising payments within the approval limits shown in Appendix 1;
- ensuring that financial controls are working effectively at school level.

Internal Audit

2.9 The Internal Auditor function is managed by the Board (through the FAR Committee) and provides Trustees with an independent oversight of the financial affairs. The main duties of the internal auditor function is to provide the Board with independent assurance that:

- the financial responsibilities of the Board are being properly discharged;
- resources are being managed in an efficient, economical and effective manner;
- sound systems of internal financial control are being maintained and financial considerations are fully considered in reaching decisions;
- risks are identified, and appropriate actions put in place.

2.10 The Trust must establish a robust control framework that includes:

- Ensuring delegated financial authorities are complied with
- Maintaining appropriate segregation of duties
- Coordinating the planning and budget process
- Applying discipline in financial management, including managing debtors, creditors, cash flow and monthly bank reconciliations

2.11 The Board will appoint internal auditors to undertake a regular programme of reviews to ensure that financial transactions have been properly processed and that controls are operating effectively. A report of the findings from each visit will be provided to the FAR Committee for review.

Other Staff

2.12 Other members of staff, primarily finance managers, admin assistants and budget holders, will have some financial responsibilities and these are detailed in the following sections of this policy.

All staff are responsible for the security of Trust property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the Trust's financial procedures.

Conflict of Interest

- 2.13 It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from the decisions they make. To avoid any misunderstanding that might arise all Trustees and senior staff are required to declare any financial interests they have in companies or individuals from which the Trust may purchase goods or services. The register is open to public inspection.
- 2.14 The register should include all business interests such as directorships, shareholdings or other appointments of influence within a business or organisation which may have dealings with the Trust. The disclosures should also include business interest of relatives such as a parent or spouse or business partner where influence could be exerted over a director or a member of staff by that person.
- 2.15 The existence of a register of business interests does not detract from the duties of directors and staff to declare interests whenever they are relevant to matters being discussed by the board or a committee. Where an interest has been declared, directors and staff should not attend that part of any committee or other meeting.
- 2.16 Persons of significant control, as identified by current legislation, will be investigated and reported as required through the annual Confirmation Statement to Companies House.

3 Accounting System

- 3.1 The Trust uses SAGE for Education at all its schools. All financial transactions of the Trust must be recorded on this system.

System Access

- 3.2 Entry to the accounting system is password restricted and the CFO is responsible for implementing a system which ensures that passwords are changed at least every year.
- 3.3 Access to the component parts of the system can also be restricted and the CFO is responsible for setting access levels for all members of staff using the system.

Backup Procedures

- 3.4 The CFO is responsible for ensuring that there are effective backup procedures for the system. A full backup is taken every evening.

Transaction Processing

- 3.5 All transactions input in the accounting system must be authorised in accordance with the procedures specified in this policy. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are identified in the associated operational system procedures.

Reconciliations of Balance Sheet Accounts

- 3.6 The CFO is responsible for ensuring the following reconciliations are performed routinely, and that any reconciling or balancing amounts are cleared:
- sales ledger control account and review of aged ledger balances monthly

- purchase ledger control account and review of aged ledger balances monthly
- payroll control accounts monthly
- all suspense accounts (e.g. Credit Card) monthly
- accruals and prepayments monthly
- bank balances per the nominal ledger to the bank statement monthly
- Sundry/other debtor and creditor accounts monthly
- Reconciliation of ParentPay trips, catering and sales accounts monthly
- VAT reclaim submissions termly

4 Financial Planning

- 4.1 The Trust and each School will prepare both medium term and short term financial plans. Medium term is defined as a period of three years.
- 4.2 The medium-term financial plan (MTFP) is prepared as part of the Trust and School Development planning process. The Development Plan indicates how the Trust's and each School's educational and other objectives/priorities are going to be achieved within the expected level of resources over the next five years.
- 4.3 The Development Plan provides the framework for the annual budget. The budget is a detailed statement of the expected resources available to each School and the planned use of those resources for the following year.

5 Development Plan

- 5.1 The Development Plan is concerned with the future aims and objectives of the Trust and each School and how they are to be achieved; the Trust will set overall Core Objectives which will be turned into specific objectives for each School. The Development Plans will ensure that the Trust's objectives and targets are matched to the resources expected to be available. Plans should ideally be simple and flexible.
- 5.2 The form and content of the Development Plan will be set by the CEO and due regard should be given to any annual guidance issued by the DfE.

6 Annual Budget

- 6.1 The CFO is responsible for working with the Headteachers, the business managers* and others to prepare a draft annual budget for consideration by the LGB and the CEO. The CEO is responsible for the approval of the budget by the Board of Trustees.
- 6.2 The approved budget must be submitted to the DfE by the specified date, and the CFO is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met. A Financial Calendar will be prepared which details all the submission dates required by the ESFA.
- 6.3 The annual budget will reflect the best estimate of the resources available to the School for the forthcoming year and will detail how those resources are to be utilised. There should be a clear link between the Development Plan objectives and the budgeted utilisation of resources.

7 Balancing the Budget

- 7.1 Each school will set a balanced budget, considering the current level of reserves, medium term projections and the need to invest to meet the longer-term business plan.

8 Finalising the Budget

- 8.1 Once the different options and scenarios have been considered, a draft budget should be prepared by the CFO for approval by the CEO and the Board. The budget should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.

9 Monitoring and Review

- 9.1 Monthly management accounts will be prepared by the CFO. The reports will detail actual income and expenditure against budget for budget holders and at a summary level for the CEO, Headteachers, Local Governing Body and Board of Trustees.
- 9.2 The monitoring process should be effective and timely in highlighting variances in the budget so that differences can be investigated, and action taken where appropriate. Monthly management accounts will always include a latest financial forecast for the year.
- 9.3 If a budget overspend is forecast it may be, under exceptional circumstances, appropriate to vire money from another budget or from the contingency. All budgets virements must be authorised as shown in Appendix 1.

10 Payroll

- 10.1 The main elements of the payroll system are:
- staff appointments;
 - payroll administration and payments.

11 Staff Appointments

- 11.1 As part of the annual budget process, the Trust Board will approve a staff establishment for the Trust and schools. Substantial changes (e.g. the addition of permanent full-time posts) can only be made to this establishment with the express approval in the first instance of the CEO, by the LGB who must ensure that adequate budgetary provision exists for any establishment changes.
- 11.2 Where changes are in line with agreed budgets and in line with the approved School Development Plan, Headteachers have authority to change the FTE size or scope of posts within their School – these changes will be included in the Headteacher’s report to the Local Governing Body.
- 11.3 The CEO and Headteachers have authority to appoint staff within the authorised establishment except for the roles of Headteachers where other Trustees may be involved. The CEO will approve all appointments to the senior leadership team of the Trust.

12 Payroll Administration and Payments

- 12.1 Payroll is currently outsourced, and the approval of the Trustees is needed to change any such arrangements.
- 12.2 The Trust has a Pay Policy <https://web.starmat.uk/policies/> and all changes to pay must be consistent with this. Any variations to this must be raised with the CEO.
- 12.3 The monthly payroll must be approved by the School prior to payments being made.

12.4 All severance payments must be recommended for approval by the school's LGB and approved by the Trust Board.

13 Executive Pay

13.1 The Trustees must ensure its decisions about levels of executive pay follow a robust evidence – based process and are reflective of the role and responsibilities. No individual can be involved in deciding his or her remuneration.

14 Tax Arrangements for Senior Employees

14.1 The Trustees must ensure that its senior employees' payroll arrangements fully meet their tax obligations and comply with HM Treasury's guidance about the employment and contract arrangements of individuals of the avoidance of tax. Failure to comply with these requirements can result in a fine by HM Treasury.

15 Special Staff Payments

15.1 Certain transactions by public bodies may fall outside their usual planned range of activity and they are subject to greater control than other payments. They include:

- Staff severance payments
- Compensation payments
- Ex gratia payments

15.2 Staff severance payments are paid to employees outside of normal statutory or contractual requirements when leaving employment in public service. These payments should not be made where they could be a reward for failure, such as gross misconduct of poor performance.

15.3 Compensation payments provide redress for loss or injury, for example personal injuries, traffic accidents or damage to property. Any decisions must be based on careful appraisal of the facts, including legal advice where relevant, and ensure that value for money will be achieved.

15.4 Ex gratia payments include payment to meet hardship caused by official failure or delay, and to avoid legal action due to official inadequacy. These transactions must always be referred to the ESFA for approval.

15.5 Appropriate freedoms and delegated limits are defined in Appendix 1. All special staff payments must be either approved by Trustees or the ESFA.

16 Procurement

16.1 The Trust wants to achieve the best value for money from all its purchases. This means getting goods at the correct quality, quantity and time at the best price possible. A large proportion of purchases will be paid for with public funds and there is a need to maintain the integrity of these funds by following the general principles of:

- probity, it must be demonstrable that there is no corruption or private gain involved in the contractual relationship of the Trust;
- accountability, the Trust is publicly accountable for its expenditure and the conduct of its affairs;
- fairness, that all those dealt with by the Trust are dealt with on a fair and equitable basis.

It is particularly important in the case of the Trust that any tenders where a Trustee may have a conflict of interest are managed with utmost probity.

The Department for Education strongly recommends the deals for schools (<https://www.gov.uk/government/publications/deals-for-schools>)

17 Routine Purchasing

- 17.1 Budget holders, where appropriate, will be informed of the budget available to them at least one month before the start of the academic year. It is the responsibility of the budget holder to manage the budget, working with the Trust, and to ensure that any expenditure is consistent with the objectives of the School.
- 17.2 Appropriate authorisation limits are reviewed annually and approved by the Trustees (see Appendix 1).
- 17.3 It is necessary to take the principles of best value into account at all times although this is not necessarily the lowest cost. An explanation will need to be provided when the lowest cost quotation or tender is not accepted.
- 17.4 Procurement routes are outlined in the Competitive Tendering Policy and the Procurement Policy.

18 Forms of Tenders

- 18.1 Details of forms of tenders and how to run a tender process are included in the Competitive Tendering Policy and the Procurement Policy.

19 Credit Cards

- 19.1 Where schools hold credit cards they are the sole responsibility of named individuals within each school.
- 19.2 Procedures for the authorisation of expenditure using credit cards is identified in Appendix 1
- 19.3 The primary method of payment remains invoicing and this will generally be used in preference to credit card purchases where such is offered by the supplier. Where possible the School will seek to establish trade accounts with local suppliers. The operation of credit cards has been delegated to the Headteacher/SBM* of individual schools and governed by procedures outlined below:-
- Credit Cards are issued by the designated bank for the Trust.
 - Credit card balances are repaid monthly in full, by direct debit before interest accrues
 - The credit limit will be set by the Trust. The Trust bank will not issue generic credit cards; they must be issued to named individuals and each card will have its own credit limit
 - The credit cards shall not be used for personal expenditure in any circumstances.
 - Credit cards must never be used to circumvent proper purchasing practice and contractual arrangements.
 - Cash withdrawals are not allowed *Cash withdrawals are allowed on specific cards as agreed by the Trust.*
 - Supporting receipts and transaction details will be maintained for all uses of the credit cards and authorised in accordance with the usual procurement procedures of the School
 - Transactions are entered as soon as possible onto the finance system and

reconciled monthly in accordance with School procedures.

- All items ordered (telephone or internet) and related paperwork must be delivered to the school address, except for special circumstances, eg. school holidays
- Any abuse of the card will be treated as GROSS MISCONDUCT.

20 Income

- 20.1 The main sources of income for the Trust are the grants from the DfE/ESFA. The receipt of these sums is monitored directly by the CFO who is responsible for ensuring that all grants due to the Trust are collected.
- 20.2 Trust does not currently pool GAG Funding.
- 20.3 Grant funding is received from sources such as the local authorities for a variety of purposes including SEN funding.
- 20.4 The Trust also obtains income from
- students, for example trips, activities, uniforms, school dinners
 - the public, mainly for lettings.
 - Donations
- 20.5 Electronic systems (such as ParentPay or Parent Mail) are used for taking income on-line, these payments will be recorded against the individual students' accounts and reconciled to the nominal ledger accounts monthly.

21 School Trips and Excursions

- 21.1 Each School has a specific procedure on Excursions. A designated staff member must be appointed for each trip to take responsibility for the collection of sums due. The appointment must be approved by the Headteacher.
- 21.2 The designated staff member will be responsible for estimating the costs, ensuring the cash is collected, producing a reconciliation etc.

22 Lettings

- 22.1 Letting and hire of the Trust facilities will be conducted in line with the Lettings Policy for each school which includes a scale of charges, which should be reviewed annually.

23 Cash Management Trust Bank Accounts

- 23.1 The opening of all accounts must be authorised by the CEO and CFO who will set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. The operation of systems such as Bankers Automated Clearing System (BACS) and other means of electronic transfer of funds must also be subject to the same level of control.

24 Payments and Withdrawals

All cheques and other instruments authorising withdrawal from the Trust bank accounts must bear the signatures of authorised signatories as listed in Appendix 1.

This provision applies to all accounts, public or private, operated by or on behalf of the Board of Trustees. At least one of the cheque signatories must not sign a cheque relating to goods or services for which they have also authorised the expenditure.

25 Administration

All bank accounts must be reconciled monthly and checked by the CFO or Finance Leader.

26 Petty Cash Accounts

There is no provision for Petty Cash within the Trust. All purchases must go through other procurement methods.

27 Cash Flow Forecasts

The CFO is responsible for preparing monthly cash flow forecasts for 3 years ahead to ensure that the Trust has sufficient funds available to pay for day to day operations. If significant balances can be foreseen, steps should be taken to invest the extra funds. Similarly plans should be made to transfer funds from another bank account or to re-profile the General Annual Grant (GAG) to cover potential cash shortages.

28 Custody

Monies collected should be held securely in the school's office or locked facility and should be banked and reconciled promptly.

29 Capital Expenditure and Funding – New section

- a. Capital assets with a value of £1k or over must be charged to capital even if they are fully funded from revenue. The process of achieving this is done by transferring the expenditure from the revenue code to capital and transferring the corresponding income from the revenue budget. This is known as direct revenue financing.
- b. Capital schemes in schools are managed either centrally or locally by the school itself.
- c. The funding for these schemes comes from a number of sources. On an annual basis the Trust receives block allocations of grant to support its Schools Capital Programme through a DfE grant (School condition allocations (SCA). In addition, the MAT is able to bid for other specific grant funding from the DfE and other outside bodies when such opportunities present themselves.
- d. Other funding sources include direct revenue contributions from schools
- e. The funding sources available to schools leading on their own capital schemes include the annual Devolved Formula Capital (DFC) allocation
- f. Capital Projects which do not funded by the SCA grant may still be progressed by schools themselves. If schools are considering leading on their own schemes they are encouraged to seek out all available advice on the practicalities of doing so.
- g. Schools are required to notify the Estates Director of any proposed Capital Expenditure (regardless of the source of funding) by the submission of a Project Proposal Form.
- h. The capital plan (estate condition) is reviewed termly and approved annually by the Board.

i. The approval for Capital projects work is approved by the Trust Board and reported to the members annually.

j. Managing the implementation of school capital projects is the responsibility of the CEO and overseen by the Trust Board.

30 Assets Register

a. All items purchased with a value over the Trust's capitalisation limit of £1,000 must be capitalised. Expenditure in excess of £1,000 may also be capitalised even though the individual asset price is below £1,000, such as collective assets or part of an identified project

Assets below this value of £1,000 will be charged to the income and expenditure in the year of purchase.

b. All assets

- i. with a value of over £500
- ii. with a value below £500 but considered 'attractive' will be entered in the Asset Register.

Headteachers will review the Asset Register on a yearly basis to ensure completeness and identify any discrepancies. Any discrepancies over £1000 must be reported to the Trust's CFO.

c. The Asset Register helps:

- i. ensure that staff take responsibility for the safe custody of assets;
- ii. enable independent checks on the safe custody of assets, as a deterrent against theft or misuse;
- iii. to manage the effective utilisation of assets and to plan for their replacement;
- iv. help the external auditors to draw conclusions on the annual accounts and the Trust' financial system and
- v. support insurance claims in the event of fire, theft, vandalism or other disasters;
- vi. security and disposal of assets. Detailed guidance is included in the associated procedures.

31 Security of Assets

a. Stores and equipment must be secured by means of physical and other security devices. Only authorised staff may access the stores.

b. All the items in the asset register should be permanently marked as the Trust's property and there should be a regular (at least annual) count by someone other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to the CFO. Inventories of Trust property should be kept up to date and reviewed regularly. Where items are used by the Trust but do not belong to it this should be noted.

32 Loan of Assets

a. Items of Trust property, except staff and student laptops or tablets, must not be removed from Trust premises without the authority of the Headteacher.

b. If assets are on loan for extended periods or to a single member of staff on a regular basis the situation may give rise to a 'benefit-in-kind' for taxation purposes. Loans should therefore be kept under review and any potential benefits discussed with the Trust's auditors.

33 Disposals

- a. Items which are to be disposed of by sale or destruction must be authorised for disposal in accordance with the Finance Regulations in Appendix 1 and, where significant, should be sold following competitive tender. The Trust must seek the approval of the ESFA in writing if it proposes to dispose of an asset for which capital grant in excess of £20,000 was paid.
- b. Disposal of equipment to staff is not encouraged, as it may be more difficult to evidence the Trust obtained value for money in any sale or scrapping of equipment. In addition, there are complications with the disposal of computer equipment, as the Trust would need to ensure licences for software programmes have been legally transferred to a new owner.
- c. The Trust is expected to reinvest the proceeds from all asset sales for which capital grant was paid in other Trust assets. If the sale proceeds are not reinvested then the Trust must repay to the ESFA a proportion of the sale proceeds.
- d. All disposals of land must be agreed in advance with the Secretary of State.

34 Leases

- a. The Trust is able to enter into operational leases as outlined in the Academies Financial Handbook.
- b. Finance leases are classed as borrowings and can only be entered into with the specific authority of the ESFA.
- c. All leases must be approved by the CFO.

35 Depreciation Policy

- a. The Trust will depreciate fixed assets in line with recognised accounting standards, best practice and DfE guidelines.
- b. Depreciation rules will be approved by the board in advance of preparing the annual statements.

36 Companies Policy

- a. The Trust will not form any companies, subsidiaries or joint ventures without the approval of the Board.

37 Reserves and Investments Policy

- a. The Trust will build and maintain a revenue reserve fund to provide flexibility and certainty in forward planning.
- b. The current policy is for the Trust to hold revenue reserves that represents 3% of the Annual GAG for the Trust. This is reviewed annually.
- c. All revenue reserves are controlled by the Trust Board including those transferred in upon conversion and cannot be spent without the approval of the Board.
- d. In accordance with ESFA and charity accounting standards, the Trust will maintain financial records which identify revenue reserves by School.
- e. The Trust will build and maintain a capital reserve fund in line with the reserves approved by the Board from time to time.
- f. Reserve funds will be held on deposit in an interest-bearing account in a UK regulated bank

or in other instruments and investments as agreed from time to time by the Board.

- g. The Trust will take a very prudent approach to any deposits or investments that it makes. Further guidance is provided in a separate policy document.

38 Charging and Remission Policy

- a. The Trust will ensure that educational opportunities provided at the Trust during school hours are available to all students regardless of ability to pay and that other activities are charged for in a fair and transparent way. No student will be excluded from essential curriculum activities because of their parents' inability to pay.

The separate Charging and Remissions Policy is designed to be consistent with the requirements relating to charging laid out in the Funding Agreement.

Schools may charge for some optional activities which take place wholly or mainly outside School hours. The School may invite voluntary contributions for these from parents. Parents who wish to discuss financial matters are able to discuss them in confidence with the Headteacher.

In all cases, where a charge is made it will not exceed the costs of the provision.

39 Staff Expenses

- a. The Trust Staff may claim for reasonable expenses incurred to perform their duties or to repay them for items bought on behalf of the Trust. Reasonable expenses include:
 - i. travel by public transport
 - ii. use of own car and parking (excluding home to work travel);
 - iii. unavoidable overnight accommodation;
 - iv. reimbursement for approved items bought on behalf of the Trust.

Rates and allowances are laid out in a schedule of allowed expenses which will be reviewed annually and are shown in the Expense Policy.

- b. Staff must submit an expenses claim form and seek approval as laid out in the Finance Regulations in Appendix 1 before being sent to the Headteacher to be paid. All claims must be accompanied by receipts.
- c. The CFO will monitor claims to ensure compliance with this policy.
- d. All claims must be submitted within 30 days of being incurred. Payments made after this deadline will be at the discretion of the CEO or CFO.

40 Trustees' Expenses

- a. Governors', Trustees' and Members of the Trust may claim for reasonable expenses incurred by him or her when acting on behalf of the Trust, in line with the Trust policy on Governors Allowances. This policy describes what expenses are allowed, the process for making claims and the current rates.

Reasonable expenses will include:

- i. attendance at meetings of the Trust board or Local Governing Body or their sub-committees;
- ii. meetings with authorities, regulators, auditors etc;
- iii. meetings with members of staff or prospective staff connected with their official duties;

- iv. other official meetings.

It is expected that Governors, Trustees and members will wish to minimise the level of expenses claimed so that maximum resources can be applied to the core purposes of the Trust.

Governors, Trustees and members may not claim for:

- v. time spent working as a Governor, Trustee or Member
- vi. loss of earnings
- vii. food or refreshments
- viii. expenses in connection with foreign travel other than as allowed below.

Further guidance is provided in the separate policy document.

41 Tax

- a. The Trust will account for VAT strictly in compliance with the rules and regulations applicable at that time. It is the responsibility of the CFO to ensure compliance with VAT regulations.
- b. If Trust activities cease to be exempt from Corporation Tax, the CFO will ensure that Corporation Tax returns are completed on time and in accordance with legislation.
- c. Any payments to contractors and subcontractors are made in accordance with the Construction Industry Scheme.

42 Insurance

- a. The Trust reviews all risks annually to ensure the cover available and the sums insured are adequate.
- b. The Trust will notify the insurers of any new risks or any other alterations affecting existing insurance.
- c. The Trust will not give any indemnity to a third party.
- d. The Trust will immediately advise the insurers of any accident, loss or other incident which may give rise to an insurance claim.

43 Bad Debts & Write-offs

- a. The procedures for debt recovery and for the write-off of any debt which is deemed to be irrecoverable will follow this guidance.
- b. Wherever possible, income due will be collected before or at the time the relevant sale or service is provided. If this is not possible, an invoice will be issued.
- c. Income from lettings will be collected in accordance with the Lettings Policy.
- d. All debts will be recorded, and non-payment will be followed up by issuing reminders at monthly intervals. After 10 weeks from the date of the account, where the debt is still outstanding, legal action may be considered, and the debtor will be informed of this in writing.
- e. If, after every effort has been made to collect the debt and legal action is considered impractical or has been unsuccessful, individual bad (irrecoverable) debts may be written off in accordance with Financial Authorisations in Appendix 1 and in accordance with the guidance provided in the Academies Financial Handbook.
- f. To ensure sound internal control, staff who raise invoices, will not have the authority to write off debts. The VAT element of any debt must not be written off, as this contravenes HM

Revenue and Customs statutory requirements.

- g. The Trust will retain a Bad Debt Write-Off Summary.
- h. The Debt Recover Procedure is attached as Appendix 3.

44 Transactions with Related Parties

- a. The CEO/ Accounting Officer must report all transactions with related parties to ESFA in advance of the transaction taking place.
- b. The CEO/ Accounting Officer must obtain ESFA's approval for transactions with related parties that are novel, contentious and/or repercussive or where these limits arise:
 - i. Contract exceeding £20,000
 - ii. Contract of any value that would take the total value of contracts with the related party beyond £20,000 in the same financial year
 - iii. A contract of any value if there have been contracts exceeding £20,000 individually or cumulatively with the related party in the same financial year

45 Monitoring Outcomes & Review

- a. Outcomes will be monitored and reviewed by regular internal checks and scrutiny by senior management including an annual review with Business Manager*s and CFO.
- b. Effectiveness of this policy and any associated procedures will also be monitored by the Resources Committee, supported by External Audit, including the Regularity Audit, and regular testing by Internal Audit. Audit results will be presented by regular written reports to the Audit Committee. Findings and recommendations will be used to revise this policy and associated procedures – this will be undertaken by referring any recommendations for changes to the Resources Committee.
- c. Key indicators of the success of this policy are:
 - no inappropriate use of money;
 - adherence to budgets;
 - value for money being demonstrated;
 - expenditure targeted on key priority areas;
 - timely reports to Trustees, DfE and others;
 - up to date, accurate records.

46 Appendix 1 - Summary of Financial Authorisation Levels

Delegated Duty	Value	Delegated Authority
Ordering Goods and Services Revenue Spending Lease agreements cannot be entered without the authority of the Director or Finance and the DfE if the lease can be classified as borrowing	Up to £1,000	Budget Holder/ Executive Chef
	Up to £5,000	Headteacher or delegated school staff (ie. SBM)
	Up to £25,000	Trust Finance Leader/ Estates Director
	£5,001 to £50,000	CFO Chief Executive
	£50,001 to £100,000	Resources Committee
	£100,001 + above	Trust Board
2 Signatories for cheques and payment authorisations (including BACS payments other than payroll)	Any	Two signatories from: - Chief Education Officer - CFO - Finance Manager - Chair of Trustees - Resources Committee Member
3 Signatories for cheques and payment authorisations for MAT	Any	Two signatories from: - Chief Education Officer - CFO - Finance Manager - Chair of Trustees - Resources Committee Member
4 Payroll BACS	Any	Headteachers Trust Finance Leader CFO
5 Signatories for DfE grant claims and DfE returns for individual academies	Any	Two signatories from: - CFO - Trust Finance Leader - Headteachers - Chief Executive

6 Signatories for DfE grant claims and DfE returns for MAT	Any	Two signatories from: - Chief Executive - CFO - Trust Finance Leader - a Board Director (Trustee)
7 Virement of budget provision between budget heads	Up to £5,000	Headteacher, reporting to the CFO (for information)
	£5,001 - £100,000	As above plus CFO, reported to the LGBs
	Over £100,000	Trustees
8 Virement of funding between academies	Any	Board of Directors
9 Disposal of assets (not including land)	Up to £1,000	CFO
	£1,001 to £5,000	As above plus Chief Executive
	Over £5,000	As above plus Audit Committee DfE approval required as appropriate for disposal of assets funded with DfE grant, or transferred from an LA at nominal consideration
10 Write-off bad debts and Liabilities (subject to £250,000 ceiling)	Up to £1,000	Headteacher (annually)
	Over £1,000	CEO/ CFO, with referral to the Finance Committee annually
	Writing off debts and losses or entering into guarantees, indemnities or letters of comfort.	ESFA consent required if exceeds: <ul style="list-style-type: none"> • 1% of annual income or £45,000 individually • 2.5% or 5% of annual income cumulatively
11 Purchase or sale of any freehold property	Any	Trustees and DfE approval required
12 Granting or take up of any leasehold or tenancy agreement exceeding three years	Any	Trustees and DfE approval required
13 Raising invoices to collect income	Any	SBM/ SAGE Finance user

15 Credit Cards	CFO/ CEO All Primary HT/ SBM All Secondary HT/ SBM Other Budget Holders SBM*	£500 – LT/ RCA credit card limits?
16 Special Payments	Novel, Contentious and Repercussive	ESFA agreement required
	Staff Severance and Compensation Ex Gratia	ESFA agreement required if £50,000 or more before tax; less than £50,000 Trustee approval. ESFA agreement required
17 Acquisition and Disposal of Land	Acquiring freehold land/ building Other disposals	ESFA agreement required
	Disposing of a freehold on land/ buildings	ESFA agreement required
	Disposing of heritage assets	ESFA agreement required
	Other disposals	Trustee approval required
18 Leasing	Finance Lease	ESFA agreement required.
	Leasehold on land and buildings	ESFA agreement if lease term 7+year; Trust approval less than 7 years
	Any other lease	Value less than £50,000 CEO/ CFO Approval
	Granting a lease on land and building	ESFA agreement required.
19 Borrowing	Bank or sponsor loan, overdraft	ESFA agreement required.
	Credit Card	Delegated order limits apply
20 Related Party Transactions	Supplies to the Trust from a related party	ESFA agreement required over £20,000 and over associated limits.

47 Appendix 2 – Accounting Policies

Basis of preparation - The financial statements are prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction issued by the YPLA and the Companies Act 2006. A summary of the principal accounting policies, which will be applied consistently, except where noted, is set out below.

Going Concern – The Directors assess whether the use of the “going concern principle” is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Trust to continue as a going concern. The Directors make the assessment in respect of a period of one year from the date of the approval of the financial statements. After considering the Trust’s budgets, the Directors firmly believe the Trust is a going concern.

Recognition of incoming resources - These are on a receivable basis.

Grants Receivable are included in the Statement of Financial Activities (SOFA) on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued. Donations are recognised on a receivable basis where there is certainty of receipt and the amount can be reliably measured.

Sponsorship income provided to the Trust which amounts to a donation is recognised in the SOFA in the period in which it is receivable. Any sponsorship money received with no restriction on its use is credited to the unrestricted fund in the SOFA.

Donated services and gifts in kind - The value of donated services and gifts in kind provided to the Trust is recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Trust can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the SOFA, except where the gift in kind is a fixed asset in which case the amount will be included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with Trust’s policies.

Other income, including catering income and fees is recognised in the period it is receivable.

Resources expended - All expenditure is recognised in the period in which a liability is incurred and will be classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they are allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset’s use. Other support costs will be allocated based on the spread of staff costs.

Costs of generating funds - These are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities – These are costs incurred on the Trust’s educational operations.

Governance Costs include the costs attributable to the Trust’s compliance with constitutional and statutory requirements, including audit, strategic management and Governor’s meetings and reimbursed expenses.

Resources are recorded net of VAT, with the exception of business costs where VAT is irrecoverable. They are classified under headings that aggregate all costs relating to that activity.

Accounting for fixed assets -

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. Where tangible fixed assets are acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the SOFA and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the SOFA so

as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Trust's depreciation policy.

Depreciation

Depreciation is provided on all tangible fixed assets other than land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful lives, as follows:

Freehold buildings 2%

Land 0%

Long-term leasehold property 2% Building Improvements 6.6%

Fixtures and fittings and equipment 20% Plant and Equipment 20%

ICT equipment 25%

Motor Vehicles 20%

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

A review for impairment of a fixed asset will be carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

Leased Assets

Rentals under operating leases are charged on a straight-line basis over the lease term.

Investments

The Trust does not hold any investments at the current time. The accounting policy will be determined when the need arises.

Stock

Stock is valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stock.

Taxation

The Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Pensions Benefits

Retirement benefits to employees of the Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), and the assets are held separately from those of the Trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Trust in such a way that the pension cost is a substantial level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 27, the TPS is a multi-employer scheme and the Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations will be obtained at

least triennially and will be updated at each balance sheet date. The amounts charged to operating surplus will be the current service costs and gains and losses on settlements and curtailments. They will be included as part of staff costs. Past service costs are recognised immediately in the SOFA if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost will be shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses will be recognised immediately in other gains and losses.

Fund Accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Trust at the discretion of the governors.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the ESFA or other Funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received and include grants from the Education Funding Agency.

Introduction

The following is a standard procedure to be applied when late payments arise. Although timescales have been *suggested* at each stage of the process it is left to the discretion of the school as to when it feels it should implement the various stages.

The letters included can be used or adapted to suit the requirements of the school. However, the basic information within the templates should be included in any letter sent to parents/carers regarding late payments or debt arrears.

Stage 1: Arrears of 1-2 weeks (suggested)

It is assumed that schools will, at the earliest opportunity, have attempted to make contact with the parents/carers either in person, by telephone or by means of a reminder slip being sent home with the pupil in an effort to try and resolve the issue and avoid it becoming unmanageable.

The first letter to parents/carers should detail the outstanding balance and outline the eligibility criteria for free school meal entitlement. Parents must complete an application form FMB1 in order that eligibility may be determined. As entitlement starts from when an application is made it is important to try and get parents/carers to complete and return the form as soon as possible, **as is the DfE guidance, entitlement can only start from the date the application for free school meals is made.**

Immediate payment should be requested and it is suggested that alternative lunchtime arrangements (or other arrangements as appropriate) should be made for the child(ren) until the debt is settled.

Stage 2: Arrears of 2-3 weeks (suggested)

If payment remains outstanding, a second letter of a stronger nature should be sent by the school to the parents/carers detailing the level of the debt reached as at that week ending. Parents/carers should be encouraged to contact the school to make an appointment in order to discuss the situation and determine a resolution. It is advised that this letter should either be sent by post or hand delivered – it should not be sent home with the pupil.

A meeting arranged between the parents/carers and the Headteacher (or appropriate delegate) is an opportunity to identify any issues that may require support from either the school or other services such as the Education Social Work Service. Such a meeting may highlight that the parents/carers require support in making an application for free school meals. Arrangements for payment by instalment can be drawn up to help clear the debt. It should be stressed that if the child is not entitled to a free school meal the parents/carers should either (i) provide a packed lunch or (ii) commence payment for meals forthwith.

Stage 3: Passing over debt to Legal Services or write debt off

If the school has been unsuccessful in the recovery of the debt then the debt can be either passed over to our Legal services for advice or considered to be written off. The delegated authority for write offs is outline in this manual.

Letter 1

Dear

USchool Meal Arrears

It appears that as of today an amount of £(*amount*) is outstanding for school meals taken by (*name of child(ren)*). I would be grateful if you could arrange for this money to be paid as soon as possible.

Once the debt is cleared please ensure that the account is always kept in credit. To ensure that it does not increase further I would request that you make alternative arrangements for your child(ren) at lunchtime as a school meal can only be provided if payment is received in advance.

Payment can be made at a local retailer using your PayPoint card or via the secure online payment system at www.parentpay.com using the login already provided. You can also check your account balance here and see what meals have been taken and when.

The school is keen to provide any necessary assistance and support it can to try and resolve this matter as quickly as possible so if you would like to discuss this matter please contact the school. Our contact details can be found at the top of this letter.

UFree School Meal Eligibility

A free school meal is available to children whose parents have applied for free school meals and who are in receipt of certain benefits. Current details of eligible benefits, and a free school meal application form, can be found on the free school meals section of the NYCC website:-

<https://www.northyorks.gov.uk/free-school-meals>

A copy of application form FMB1 is enclosed for completion should you meet any of the above criteria for eligibility. This should be sent direct to: North Yorkshire County Council, Document Management Centre, County Hall, Racecourse Lane, Northallerton, DL7 8AE . Tel: 01609 533405. Email: schoolwelfare@northyorks.gov.uk

UPlease note that entitlement to free school meals commences from the date the application is made and cannot be backdated beyond that. It is therefore important that you complete and return form FMB1 as soon as you can.

For further information about free school meal eligibility please contact either the school (details above), the North Yorkshire County Council website (link above), or the Welfare Team, contact details as above.

I look forward to this matter being resolved in the near future. Yours sincerely

Head Teacher

Letter 2

Dear

USchool Meals Arrears

Despite my previous letter of *(date)* it appears that the amount owing for school meals remains outstanding and has now reached £*(amount)*. This amount should be paid with immediate effect.

Payment can be made at a local retailer using your PayPoint card or via the secure online payment system at www.parentpay.com using the login already provided. You can also check your account balance here and see what meals have been taken and when.

As stated in that letter until the debt is cleared you should make alternative arrangements for your child(ren) at lunchtime as a school meal can only be provided if payment is received in advance.

UFree School Meal Eligibility

A free school meal is available to children whose parents have applied for free school meals and who are in receipt of certain benefits. Current details of eligible benefits, and a free school meal application form, can be found on the free school meals section of the NYCC website:-

<https://www.northyorks.gov.uk/free-school-meals>

For further information about free school meal eligibility or to request application form FMB1 you can contact either the school (details at the top of this letter) or North Yorkshire County Council, Document Management Centre, County Hall, Racecourse Lane, Northallerton, DL7 8AE Tel: 01609 533405. Email: schoolwelfare@northyorks.gov.uk

UPlease note that entitlement to free school meals commences from the date the application is made and cannot be backdated beyond that. It is therefore important that you complete and return form FMB1 as soon as you can.

If you would like to discuss this matter please do not hesitate to contact the school. The school is keen to provide any necessary assistance and support it can to try and resolve this matter as quickly as is possible.

Yours sincerely

Head Teacher

Letter 3

Dear

USchool Meals Arrears

Despite my previous letters of (*dates*) it appears that the amount owing for school meals remains outstanding and has now reached £(*amount*). This amount should be paid with immediate effect.

Payment can be made at a local retailer using your PayPoint card or via the secure online payment system at www.parentpay.com using the login already provided. You can also check your account balance here and see what meals have been taken and when.

As stated in that letter until the debt is cleared you should make alternative arrangements for your child(ren) at lunchtime as a school meal can only be provided if payment is received in advance.

Should you not make contact with the school within the next 14 days the debt will be passed over to the NYCC legal service. If you do not contact us within the timescale stated the legal team will contact you directly, and all further correspondence relating to the recovery of the debt will be with the NYCC legal service. This could result in Court proceedings being issued against you to recover the debt just so they understand the seriousness of not paying.

UFree School Meal Eligibility

A free school meal is available to children whose parents have applied for free school meals and who are in receipt of certain benefits. Current details of eligible benefits, and a free school meal application form, can be found on the free school meals section of the NYCC website:-

<https://www.northyorks.gov.uk/free-school-meals>

For further information about free school meal eligibility or to request application form FMB1 you can contact either the school (details at the top of this letter) or North Yorkshire County Council, Document Management Centre, County Hall, Racecourse Lane, Northallerton, DL7 8AE. Tel: 01609 533405. Email: schoolwelfare@northyorks.gov.uk

UPlease note that entitlement to free school meals commences from the date the application is made and cannot be backdated beyond that. It is therefore important that you complete and return form FMB1 as soon as you can.

If you would like to discuss this matter please do not hesitate to contact the school. The school is keen to provide any necessary assistance and support it can to try and resolve this matter as quickly as is possible in order to avoid passing the debt to the NYCC legal service.

Yours sincerely

Head Teacher