



# Finance Policy

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## 1. Statement of Intent

It is important for Keystone Academy Trust to demonstrate that the trust uses public money appropriately. To ensure that the financial standing of the trust cannot be brought into disrepute, this policy will be implemented by all academies within the trust, guaranteeing consistency in financial procedures across the academies.

This policy applies to all employees in the trust, trustees, governors and members, as well as services and goods sourced from external agencies, such as contractors and caterers. Adherence to the principles and procedures are mandatory for all staff.

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

## 2. Background

The purpose of this policy and associated procedures is to ensure that the Keystone 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 Education & Skills Funding Agency (ESFA).

The Trust must comply with the principles of financial control outlined in the academies guidance published by the ESFA. This policy expands on that and provides detailed information on the Trust's accounting procedures. It should be read by all staff involved with finances and financial systems.

This policy relates to all the Trust's academies. Adherence to the principles and procedures contained in this policy is mandatory for all staff.

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

- Employment Relations Act 1999
- Companies Act 2006
- Equality Act 2010
- The Education (School Teachers' Appraisal) (England) Regulations 2012 (as amended)
- UK General Data Protection Regulation (UK GDPR)
- Data Protection Act 2018
- ESFA 'Academy trust handbook 2024'
- ESFA 'Declare or seek approval for related party transactions: summary guidance'
- Trust Articles of Association / Constitution
- Master and Supplemental Funding Agreements
- HM Treasury's "Regularity, Propriety and Value for Money".

This policy operates in conjunction with the following school policies:

- Academy Lettings Policy
- Articles of Association
- Charging and Remissions Policy
- Conflicts of Interest Policy
- Corruption, Fraud, Bribery & Cybercrime Policy
- Cyber-security Policy
- Data Protection Policy
- Debt Recovery Policy
- Declared Conflicts of Interests Register
- Executive Pay Policy
- Expenses and Benefits Policy
- Financial Planning Policy
- Gifts and Hospitality Policy
- Income Policy
- Overpayment Recovery Process for Employees & Ex-Employees Policy
- Payroll Policy
- Related Party and Contentious Transactions Policy
- KAT Related Party Register of Interests Policy
- Reserves & Investment Policy
- Risk Management Policy
- Support Staff Pay Policy
- Teachers' Pay Policy
- Tendering and Procurement Policy
- Whistleblowing Policy

This policy is designed to be consistent with:

- ESFA Academies Handbook
- Trust Articles of Association / Constitution
- Master and Supplemental Funding Agreements
- HM Treasury's "Regularity, Propriety and Value for Money".

This Policy also contains the following appendices:

- Appendix 1 Financial Authorisation Limits

### 3. Organisation

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 trustees and staff:

- KAT Governance Scheme of Delegation
- KAT Committees' Terms of Reference

#### **The Chief Executive Officer / Accounting Officer**

The Chief Executive Officer (CEO) is the Accounting Officer with responsibilities as described in HM Treasury's "Regularity, Propriety and Value for Money".

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 considered and full regard is had to any issues of propriety or regularity.

The main responsibilities of the Accounting Officer include:

- The trust's financial affairs, including ensuring the annual accounts are produced in accordance with the requirements of the latest Companies Act legislation, Charity SORP, and DfE and ESFA guidance.
- Sharing the ESFA's '[Letter to academy trust accounting officers](#)' letter with the members, trustees, the CFO and other relevant stakeholders, arranging for it to be discussed by the board of trustees and taking action, where appropriate, to strengthen the trust's financial systems and controls.
- Achieving value for money and the best possible educational outcomes through the economic, efficient and effective use of resources.
- Developing the annual budget and medium term financial planning.
- Ensuring regularity when dealing with items of income and expenditure in accordance with legislation, the terms of the trust's funding agreement and the 'Academy trust handbook' (ATH), and with the trust's internal procedures.
- Ensuring propriety with regards to expenditure and receipts, including standards of conduct, behaviour and corporate governance.
- Completing and signing a statement of regularity, propriety and compliance each year and submitting this to the ESFA with the audited accounts.
- Keeping full and accurate financial records, and the monitoring of those records.
- The management of opportunities and risks.
- Assuring the board of trustees that the trust is compliant with the ATH and the funding agreement.
- Informing the board of trustees, in writing, of any action or policy under consideration that is incompatible with the terms of the Articles of Association, funding agreement or the ATH.
- Informing the ESFA, in writing, where they have advised the board of trustees that they are in breach of the Articles of Association, funding agreement or ATH but the board has continued with their actions.
- the regular monitoring of actual expenditure and income against budget.
- 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

### **The Trust's Principals**

Each academy head is responsible for:

- Overall executive responsibility for their academy's activities including financial activities.
- Approving new staff appointments (subject to final approval by CEO/COM) within the authorised budgeted establishment, except for senior staff posts for which the board of trustees have agreed be approved by them or the CEO

- Ensuring staff are aware of the tendering and procurement policy and the evidenced need for value for money in all purchases.
- Ensuring staff are aware of the expenses and benefits policy and only appropriate claims are approved.
- Authorisation of orders and contracts within the approval limits in Appendix 1.
- Approval of payments within the approval limits in Appendix 1
- Involved in the preparation and delivery of the annual budget as approved by the trust.
- Monitoring the regular management accounts and acting on overspends or risk.
- Ensuring, with their purchase administration and Central Finance Team, their academy maintains sufficient financial records in accordance with ESFA requirements, submissions and Companies Act compliance.

### **Chief Financial Officer**

The CFO and the Deputy CFO works with the CEO and Deputy CEO. The CFO has direct access to the Board.

The main responsibilities of the CFO are:

- Acting as the principal finance officer for the trust with direct access to the board.
- Ensuring that the trust's financial position is managed at a strategic and operational level within the framework for financial control determined by the board of trustees.
- Ensuring that all financial matters focus on the wider needs of the trust, rather than on any individual academy.
- Working with internal auditors to provide assurance to the finance, premises, audit and risk committee and board of trustees.
- Ensuring the annual accounts are properly presented and adequately supported by the underlying books and records of the trust.
- Preparing budgets and medium term financial plans with stakeholders
- Challenging staff to ensure that value for money is routinely obtained.
- Ensuring effective financial policies are in place across the trust.
- Liaising with the headteacher from each academy regarding financial matters.
- Functional management of central finance team
- Authorisation of orders and contracts within the approval limits shown in Appendix 1
- Authorisation of payments within the approval limits shown in Appendix 1
- Maintaining CPD and undertaking relevant ongoing training.

### **Finance Staff**

Financial processing within Keystone is primarily centralised with each academy having an administrator with purchasing responsibilities who liaises with the central finance team.

The Central Finance Staff work in close collaboration with the CFO.

The main responsibilities of the Finance Staff may include:

- Working in close collaboration with stakeholders
- Day to day management of all financial transactions, ensuring appropriate procedures and approvals have been followed.
- Preparation of monthly management accounts.

- assisting with the development and monitoring of the annual budget in conjunction with the CFO.
- Ensuring that all purchases demonstrate Value for Money.
- ensure that payments are authorised within the approval limits shown in Appendix 1.
- Ensuring that financial controls are working effectively at academy level and ensuring the completeness of financial records.

### **Other Staff**

Other members of staff, primarily leaders, managers, officers, administrators, assistants and budget holders, will have some financial responsibilities and these are detailed in the following sections of this policy and in individual job descriptions and roles.

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

All other trust employees' key financial responsibilities include:

- Security of trust assets and property to avoid loss or damage
- Ensuring economy and efficiency in the use of resources
- Compliance with trust financial processes.

## **4. Internal Audit**

Internal scrutiny will be conducted within the trust and directed by the audit and risk committee, alongside the work of a board-appointed external third-party auditor, to provide independent assurance and oversight to the board that its financial and other controls, and risk management procedures, are operating effectively.

Internal scrutiny will focus on:

- Evaluating the suitability of, and level of compliance with, financial and non-financial controls, including assessing whether procedures are designed effectively and efficiently, and checking transactions to confirm whether agreed procedures have been followed.
- Offering advice and insight to the board on how to address weaknesses in financial and non-financial controls.
- Ensuring all categories of risk are being adequately identified, reported and managed.

The programme of internal scrutiny will be covered by a scheme of work, driven and agreed by the audit and risk committee, and informed by reviewing the risk register. The programme of work will be spread appropriately over the year to ensure higher risk areas are reviewed in good time. With reference to its risk register, the trust will identify on a risk basis the areas it will review each year and modify its checks accordingly.

Internal scrutiny will take account of output from other assurance providers to inform the programme of work. Independence in internal scrutiny will be achieved by establishing appropriate reporting lines whereby those carrying out checks report directly to a committee of the board. Internal scrutiny will be kept under review and if any changes in size, complexity or risk profile become apparent, the trust will consider whether its approach remains suitable.

The trust will confirm, in its governance statement, the method(s) it uses for internal scrutiny and why these are used.

The trust may also use other individuals or organisations where specialist non-financial knowledge is required. Where this is done, the trust will reflect the individual's or organisation's findings, recommendations and conclusions as part of the summary document submitted to the ESFA.

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

Regular reports of the programme of work will be provided at each audit and risk committee meeting, including recommendations to enhance financial and other controls and risk management.

The trust will submit its annual summary report of the areas reviewed, key findings, recommendations and conclusions to the ESFA by 31 December each year when it submits its audited annual accounts. If requested, the trust will also provide any other internal scrutiny reports.

## 5. Conflict of Interest & Related Parties

It is essential for anyone involved in spending public funds to demonstrate that they (and their related parties) do not personally benefit from the decisions that they make. To avoid misunderstanding all members, trustees, governors, senior staff members (and all staff at the discretion of the trust) are required to declare any financial interests they have in companies or individuals that the trust may purchase goods or services from. This register is open to public inspection. The existence of the register does not detract from the duties of trustees and staff to declare interests whenever they are relevant to matters being discussed by the board, committee or senior staff meetings. Those considered to have a conflict must absent themselves from any related discussion or vote.

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 interests of relatives such as an immediate family member or spouse or business partner where influence could be exerted over a trustee or a member of staff by that person.

The existence of a register of business interests does not detract from the duties of trustees and staff to declare interests whenever they are relevant to matters being discussed by the board or a committee. Those who are considered to have a conflict of interest in the business proposed must absent themselves from any such discussion or vote.

Related Parties are defined in the ATH. All academies within the trust will act in accordance with the Related Parties Policy and the Related Parties Register.

## 6. Finance & Accounting

### Annual accounts

The trust will maintain accounting records and prepare an annual report and audited accounts in line with the Charity Commission's [Statement of Recommended Practice](#) and the ESFA's '[Academies Accounts Direction](#)'.

The audited accounts will be:



- Submitted to the ESFA by 31 December each year.
- Published on the trust's website by 31 January.
- Filed with Companies House in accordance with company law requirements, usually by 31 May.
- Provided to every member (under the Companies Act).
- Provided to anyone who requests a copy.

All copies of the accounting audit will be stored and filed securely, in line with the trust's Data Protection Policy.

The Academy Trust currently uses web-based financial software at all its academies. All financial transactions of the Trust must be recorded on this system.

Back-up Procedures: The CFO is responsible for ensuring there are effective back up procedures for the finance system including cloud based.

Transaction Processing: All transactions input to the accounting system must be authorised in accordance with the procedures specified in this policy.

Reconciliations of Balance Sheet Accounts: The Central Finance Team is responsible for ensuring all control accounts and balance sheet accounts are reconciled monthly.

## 7. Financial Planning

Please refer to the Financial Planning Policy.

The board of trustees will notify the ESFA within 14 calendar days of its meeting, if proposing to set a deficit revenue budget for the current financial year, which it cannot address after taking into account unspent funds from previous years, as this would be non-compliant with the funding agreement and the Academy Trust Handbook.

## 8. Payroll

All payroll transactions relating to trust staff, permanent or casual, will be processed through the payroll system. Payments for employment will not be made through any other mechanism.

Each academy within the trust will act in accordance with the Teachers' Pay Policy and Support Staff Pay Policy as well as to the Payroll Policy.

## 9. Procurement

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 relationships of the Trust. Spending reflects the purpose intended by Parliament.
- Accountability - the Trust is publicly accountable for its expenditure and the conduct of its affairs. Internal delegation levels exist and are employed.
- 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 be managed with utmost probity.

- Value for Money

Transactions with connected parties, including with trustees, members or governors, and senior staff should be at cost and not include a profit element in line with ESFA guidance. All related party transactions must be registered in advance with the ESFA.

All academies within the trust will ensure that a competitive procurement procedure is in place; act in accordance with the trust's Tendering and Procurement Policy, and comply with the procurement rules and thresholds in The Public Contracts Regulations 2015 and [Find a Tender](#) service.

The trust uses the DfE's deals for schools service where possible. The trusts will also refer to the "Buying for Schools: how to buy what you need tool to help obtain value for money and apply relevant procurement regulations" where appropriate.

Full details of the trust's procurement processes are outlined in the Tendering and Procurement Policy.

## 10. Charge Cards

Charge cards linked to a trust bank account are issued to personnel under the scheme of delegation to pay for goods and services when the normal ordering processes are not possible. The procurement of goods and services using charge cards will be kept to a minimum and monitored by Central Finance Team.

Each card will be set with a credit limit appropriate to the card holder and must only be used for school and not personal expenditure. These cards should only be used when a supplier demands immediate payment and does not accept other payment methods e.g., internet purchases.

Charge cards can be issued to senior management of the academies. **Pin numbers are not issued, and charge cards must not be removed from the school site except in specific circumstances.** If a charge card is taken off site it can only be done by the card holder themselves who will become responsible for any financial loss resulting from the misuse of the card while off site. While on-site the charge card should be locked up when not in use, and only used by the card holder or the purchase administrator with the card holder's permission. No other persons are permitted to use the cards.

VAT receipts should be obtained for such purchases. Receipts will be matched to the monthly statement and the monthly statement signed by the card holder. The administrator with purchasing responsibilities will collate the information and provide it to the Central Finance team. They will confirm the completeness of the records. The balance on the purchasing card statement will be paid in full each month by direct debit.

## 11. Income

The trust does not currently GAG-pool and so all academies retain their own income entitlements.

The trust will set any fees for its chargeable services at full cost but can apply an additional rate of return when in a commercial environment.

The main sources of income for the Trust are the grants from the DfE / ESFA. The receipt of these sums is monitored directly by Central Finance Team who are responsible for ensuring that all grants due to the Trust are collected.

Grant funding is received from sources such as the local county and borough councils for a variety of purposes including SEN funding.

The Trust also obtains income from:

- pupils, for example trips, activities, school dinners, nursery, wraparound care
- the public, mainly for lettings.

Please refer to the Trust Income Policy for more details

### **Trips**

Each academy has a specific procedure on Trips. 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 Head.

The designated staff member will be responsible for setting the budget, ensuring the parental payment is collected, producing a reconciliation etc. and ensuring that sufficient income is received to enable the trip's costs to be covered. Where applicable the reconciliation should include comments on expected losses on trips and how these will be covered (eg ten children using pupil premium funding). The actual cost to parents should also be considered both on a trip basis and on an annual basis to ensure that excessive financial demands are not placed on parents/carers.

Where a trip is arranged through a travel company, the Tour Operators Margin Scheme is likely to apply on their supply. The trust will not recoup the VAT element of journeys in the UK or abroad which are identified in invoices because the VAT is not identified separately on the supply from the tour operator. The total cost from the travel agent is the total cost to the academy.

### **Lettings**

Letting and hire of the Trust facilities will be conducted in line with the Lettings Policy for each academy. All lettings must be set at a minimum break-even price.

## **12. Cash Management**

The trust has robust procedures in place to manage its cash position and will avoid becoming overdrawn on any of its bank accounts so that it does not breach restrictions on borrowing.

### **Accounts**

The opening of all accounts must be authorised by the CEO and CFO. If the terms of the bank account differ from existing accounts, then the CEO and CFO must 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 Automatic Clearing System (BACS) and other means of electronic transfer of funds must also be subject to the same level of control.

### **Payments and withdrawals**

All cheques and other instruments authorising withdrawal from any of the trust's bank accounts will bear authorising signatures or electronic signatures in line with the scheme of delegation as listed in Appendix 1.

Headteachers are responsible for approving the payment run for their schools before it is sent to the bank for authorisation by the trust signatories.

This provision applies to all accounts, public or private, operated by or on behalf of the trust.

### **Administration**

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

### **Petty Cash Accounts**

Keystone Academy Trust is a cash-free trust albeit recognised that on occasion cash will be required for use within school activities. For this purpose, a petty cash tin may be kept at each academy within the trust, which is the responsibility of the head teacher, with the maximum amount of £nil being stored in the tin. Any higher amounts must be banked within a week of receipt. The head teacher is responsible for the management of petty cash and will:

- Ensure petty cash is held securely until banked.
- Make the petty cash available for checking at any time.
- Record all petty cash transactions.

In the interests of security, no petty cash payments can be made, or monies withdrawn of “borrowed” from petty cash. All payments will be made via online banking, charge card or cheque.

Any monies placed in the petty cash tin for security until banking must be counter-signed by two employees to confirm the amount counted and placed.

### **Cash Flow Forecasts**

The Central Finance Team will prepare cash flow forecasts to ensure that the trust has sufficient funds available to cover day-to-day operations. The Central Finance Team will record all transactions regarding cash flow for the for the trust. When producing cash flow forecasts, if significant balances can be foreseen, steps will be taken to invest the surplus funds in line with the Reserves and Investments Policy.

### **Borrowing and debt**

Prior approval will be obtained from the ESFA before borrowing from any source, where such borrowing will be repaid from grant monies or secured on assets funded by grant monies. This includes writing-off debts and losses, entering into guarantees or letters of comfort, and entering into indemnities which are not in the normal course of business.

Charge cards will only be used for business expenditure. Charge card balances are automatically cleared by direct debit each month. Charge cards will not leave the trust premises of the card holder except in exceptional circumstances upon which the card holder remain responsible for any misuse or losses.

The trust will prepare and monitor financial plans to ensure ongoing financial health.

The trust will disclose aggregate figures for transactions of any amount and separate disclosure for individual transactions above £5,000 in its audited accounts for writing off debts and losses, as well as guarantees, letters of comfort and indemnities.

Debts will not be written off without the express approval from the board of trustees in line with the trust policy on bad debt recovery. The trust will always pursue the recovery of amounts owed to it, including overpayments, or erroneous payments. In practice, however, there will be practical and legal limits to how each individual case should be handled.

## 13. Fixed Assets

The trust will obtain prior approval from the ESFA for the following transactions:

- Acquiring a freehold of land or buildings
- Disposing of a freehold of land or buildings
- Disposing of heritage assets, as defined in financial reporting standards, beyond any limits in the trust's funding agreement for the disposal of assets generally

Other than the transactions outlined above, the trust does not need the ESFA's approval to dispose of any other fixed assets.

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

All fixed asset additions must be approved in line with spending authorities and consistent with the Trust's overall strategy for development.

All expenditure on IT equipment, IT infrastructure and related IT developments must be consistent with the Trust's overall IT strategy.

The board of trustees will refer to the DfE's 'Good estate management for schools' guidance to help them to manage capital assets and budgets.

### **Fixed Asset register**

The trust will hold two types of Fixed Asset Register:

- For the purpose of financial reporting, with a value of over £2,000, or with a value below £2,000 but considered 'attractive' must be entered on an Asset Register. This may include grouping together similar items such as iPads.
- For the purposes of managing IT assets, each school will maintain an asset register of their IT items on an asset by asset basis.

The CFO will review the Asset Register on a yearly basis to ensure completeness and identify any discrepancies.

Both Asset Registers help:

- to ensure that staff take responsibility for the safe custody of assets.
- to enable independent checks on the safe custody of assets, as a deterrent against theft or misuse.
- to manage the effective utilisation of assets and to plan for their replacement.
- the external auditors to draw conclusions on the annual accounts and the Trust's financial system and
- to support insurance claims in the event of fire, theft, vandalism or other disasters.
- security & disposal of assets.

### **Security of Assets**

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

All the items in the asset register should be permanently marked as the Trust's property where appropriate.

## **Loan of Assets**

Items of Trust property, except staff laptops or tablets, must not be removed from academy premises without the authority of the Head. The removal must be documented and signed by both the borrower and the Head.

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 of assets should therefore be kept under review and any potential benefits discussed with the Trust's auditors.

## **Disposals**

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.

Disposal of equipment to staff is not encouraged, as it is 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 licenses for software programmes have been legally transferred to a new owner.

The Trust is expected to reinvest the proceeds from all asset sales for which capital grant was paid in other academy assets. If the sale proceeds are not reinvested, then the Trust must repay to the ESFA a proportion of the sale proceeds.

## **Leases**

For the purpose of this policy, there are two types of lease:

- Finance lease – a form of borrowing
- Operating leases – not a form of borrowing

The trust will refer to the Academy Trust Handbook for the latest information on which leases the ESFA are required to give prior approval for.

## **14. Depreciation Policy**

The Trust will depreciate fixed assets in line with recognised accounting standards, best practice and DfE guidelines.

Depreciation rules will be approved by the board in advance of preparing the annual statements. The current policy is shown in the financial statements for the Trust.

## **15. Companies Policy**

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

## **16. Reserves & Investments Policy**

### **Investments**

Where the board of trustees wishes to make investments to further the trust's charitable aims, it will ensure that investment risks are properly managed. When considering an investment, the board will:

- Act within its powers to invest as set out in the Articles of Association

- Act in line with the trust's Reserves and Investment Policy and review this policy on a regular basis.
- Ensure value for money.
- Take advice from professional advisers where appropriate.
- Ensure that exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximisation.
- Ensure investment decisions are in the best interests of the trust.

The Trust will take a very prudent approach to any deposits or investments that it makes.

Prior approval will be sought from the ESFA before all investment transactions that are novel, contentious and/or repercussive, regardless of value.

### **Reserves**

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. The intention is that transferred reserves and future surpluses/deficits will be retained by the individual academy unless the board directs otherwise.

In accordance with ESFA and charity accounting standards, the Trust will maintain financial records which identify revenue reserves by academy.

The Trust will build and maintain a revenue reserve fund to provide flexibility and certainty in forward planning.

The Trust can build and maintain a capital reserve fund in line with the reserves approved by the Board from time to time.

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.

## **17. Trustees' Expenses**

Please refer to the Trustee Expenses policy.

### **External auditing**

The trust will appoint an external auditor to give an opinion on whether its annual accounts present a true and fair view of the trust's financial performance and position. In addition, the auditors will provide a regularity assurance conclusion.

The contract with the external auditor will be in writing and be accompanied by a letter of engagement that only covers the details of the external audit including the requirements of the DfE. The letter of engagement will also include details of the removal of external auditors, before the expiry of the term of office, in exceptional circumstances. The ATH should be referred to for the process for the removal/resignation of the auditors. There will be a separate letter of engagement for additional services beyond the prescribed audit.

The trust will retender its external audit contract at least every five years. The exception to this is if the incumbent auditors offer a fee rate known to be less than market rates. This is to avoid the unnecessary expenditure on the purchasing process.

The board of trustees will notify the ESFA immediately of the removal or resignation of the auditors.

The accounting officer will produce a statement on regularity, propriety and compliance and this will be included in the trust's annual accounts. The statement on regularity, propriety and compliance will include a responsibility to ensure that:

- There is efficient and effective use of resources in their charge.
- Public money is spent for the purposes intended by parliament.
- Appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under their control.

The trust will respond promptly, reasonably and appropriately to any findings by the auditors

## **18. Tax/VAT**

The Trust will account for VAT strictly in compliance with the rules and regulations applicable at that time. It is the responsibility of the Accounting Officer to ensure compliance with VAT regulations.

The trust, and the academies within it, are VAT 126 applicable for VAT and are entitled to reclaim VAT on qualifying purposes through a regular VAT return.

Under legislation, VAT claims can be made on expenditure which supports the trust's core business purposes.

A report is run for each of the academies within the trust by Central Finance, to provide the data necessary for the completion of the VAT 126 reclaim form. VAT is reclaimed regularly. Only one VAT 126 return for the trust is required by HMRC.

The trust is eligible to reclaim most of the VAT it pays on invoices from HMRC. Any invoices for which VAT cannot be reclaimed, as the purchases were for business activity, are identified and deleted.

Where invoices relate partly to business activity and partly to non-business activity, only the proportion of the VAT relating to the non-business activity will be reclaimed.

Where a trip is arranged through a travel company, the Tour Operators Margin Scheme is likely to apply on their supply. The trust will not recoup the VAT element of journeys in the UK or abroad which are identified in invoices because the VAT is not identified separately on the supply from the tour operator. The total cost from the travel agent is the total cost to the academy.

Reclaimed VAT will not be debited to the individual academies, but to the VAT control account of the trust.

The CFO will ensure that Corporation Tax returns are completed on time and in accordance with legislation.

Any payments to contractors and subcontractors are made in accordance with the Construction Industry Scheme.

IR35 Regulations are administered and documented.

## **19. Insurance**

The Trust is a member of the DfE Risk Protection Arrangement and expects all academies to be a member of this arrangement

For items outside the scope of the RPA such as vehicles, engineering inspections and international trips the Central Purchasing Team will secure appropriate insurance.

## **20. Bad Debts & Debt Recovery**

The procedures for debt recovery and for the write-off of any debt which is deemed to be irrecoverable will follow the debt recovery policy.



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.

Income from lettings will be collected in accordance with the Academy Lettings Policy.

Overpayments to employees and ex-employees will follow the Overpayment Recovery Policy for Employees and Ex-Employees.

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 & Customs statutory requirements.

The Trust will retain a Bad Debt Write-Off Summary if required.

## 21. Contracts and Subscriptions

Contracts and Subscriptions can be categorised as:

- Fixed Term – no automatic renewal
- Fixed Term – automatic renewal
- Rolling Term

All contracts and subscriptions must be reviewed annually in time for cancellation or renewal. Contracts will be added to compliance software to flag when this date is.

The reviews will be led by the Central Finance and Operations Team and will consult with the opinions of the Senior Leadership Team of each school.

The review will primarily consider value for money and consider:

- Price,
- Proof of usage by the schools,
- Impact,
- Service delivery:
  - Impact of non-delivery
  - Deadline missing
  - Impact of mistakes
  - Communication
  - Hidden or Spiralling Costs.
- KAT-wide versus specific schools, and
- Staff availability to implement fully.

A review will be performed more frequently if there is evidence of the supplier not meeting their contractual obligations and/or the contract/subscription not meeting the need of the Trust.

## 22. Special, Novel, Contentious and/or Repercussive Payments & Delegated Authorities

### Delegated Authorities

The trust will follow the ATH in relation to their financial freedoms and limits. The trust recognises that some transactions have delegated authority limits beyond which the trust must obtain prior ESFA approval.

The trust (irrespective of whether ESFA approval is required) will disclose the aggregate figures for transactions of any amount and separate disclosure for individual transactions above £5,000 in its audited accounts for the following transactions:

- Special Payments:

- Compensation
- Ex gratia
- Staff severance (of any value)
- Writing off debts and losses
- Guarantees, letters of comfort and indemnities
- Acquisition or disposal of freehold land and buildings
- Disposal of heritage assets
- Taking up or granting a leasehold on land and buildings
- Gifts by the trust

### **Novel, contentious, or repercussive transactions**

The trust will refer all novel, contentious or repercussive transactions to the ESFA for approval, and the trust will request this approval before the transaction occurs.

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

### **Special Payments**

For the purpose of this policy, special payments include:

- Staff severance payments.
- Compensation payments.
- Ex gratia payments.

#### Staff Severance payments

Where the trust considers making a staff severance payment exceeding statutory or contractual entitlements, the following factors will be considered prior to making the commitment:

- The proposed payment is in the interest of the trust
- The payment is justified, based on legal assessment of the chances the trust will successfully defend the case at employment tribunal
- The level of settlement is less than the legal assessment of what the relevant body will award

The trust will not make severance payments where the money could be interpreted as a reward for failure, e.g. gross misconduct or poor performance; the only instance in which the trust may offer severance payments in the event of gross misconduct would be where the claimant would be likely to succeed in an employment tribunal because of procedural or legal errors. In the case of poor performance, the cost of a severance payment will be considered against the time and cost of taking the individual through performance management and capability procedures.

Where the trust is considering a severance payment equal to or greater than £50,000, the trust will seek prior approval from the ESFA. The ESFA will refer the transaction to HM Treasury so the trust will allow sufficient time for this to be considered. Value for money will be shown for all severance payments.

The trust will also obtain prior approval from the ESFA before making a special staff severance payment where:

- An exit package which includes a special severance payment is at, or above, £100,000.
- The employee earns over £150,000.

Compensation payments will take account of the facts of the matter ensuring value for money is achieved. For compensation equal to or greater than £50,000, prior approval from the ESFA will be sought.

The trust will consider whether cases reveal concerns pertaining to the effectiveness of internal control.

Ex gratia payments will always be referred to the ESFA for approval.

#### Confidentiality Clauses

The trust will ensure that confidentiality clauses associated with staff severance payments do not prevent an individual's right to make disclosures in the public interest.

#### Compensation Payments

Compensation payments provide redress for loss or injury, for example, personal injuries, traffic accidents, or damage to property. If a compensation payment is being considered, the trust will base its decision on a careful appraisal, including legal advice if relevant, and ensure value for money. The trust will refer to the ATH for guidance on associated delegated authorities.

#### Ex Gratia Payments

Ex gratia payments are another type of transaction going beyond statutory or contractual cover, or administrative rules. The trust will always refer these to the ESFA for prior approval.

### **Gifts**

The value of any gifts will be reasonable and within the limits set out in the Gifts and Hospitality Policy.

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

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

### **Third Party Access Rights**

The trust will provide the ESFA (or its agents) with information the ESFA requires to meet funding requirements.

The ESFA or its agents may carry out audits and investigations at the trust. The trust will provide the ESFA with access to all books, records, information, explanations assets, premises and staff, and the ESFA may take copies of relevant documents.

Where the ESFA has concerns about financial management and/or governance at the trust, it may wish to obtain from third parties information or documentation about the trust which the ESFA considers relevant for the purposes of its investigation. The trust will provide the ESFA with written authority giving permission for any third party to provide such information to the ESFA or its agents.

### **Notices to Improve**

Where the ESFA has concerns about the trust's financial management and/or governance and has issued a Notice to Improve (Ntl), the trust will comply with this notice.

The ESFA will notify the trust of the date of which it published the Ntl.

The trust will publish any Ntl issued by the ESFA on its website within 14 days of it being issued and retain this on the website until it is lifted by the ESFA. If a Ntl is issued, the trust will seek prior approval from the ESFA for all transactions outlined in [section 19](#) specifically:

- Special staff severance payments.
- Compensation payments.
- Writing off debts and losses.
- Entering guarantees, indemnities or letters of comfort.
- Disposals of fixed assets beyond any limit in the funding agreement.
- Taking up a leasehold or tenancy agreement on land or buildings of a duration beyond any limit in the funding agreement.
- Carrying forward of unspent general annual grant (GAG) from one year to the next beyond any limit in the funding agreement.
- Pooling of GAG.

Where required, the trust will seek prior approval from the ESFA before entering transactions with related parties. The trust will submit additional information, such as monthly income and expenditure accounts, if required by the ESFA.

## 23. Whistleblowing and Fraud

The trust has agreed a policy and procedure for whistleblowing, and have published it on the trust website, to protect staff who report individuals they believe are doing something wrong or illegal.

The trust puts proportionate controls in place to mitigate the risks of fraud, theft and irregularity, e.g. regular inspections addressing risks.

Where instances of fraud, theft or irregularity are suspected or identified the board of trustees will investigate it promptly and should any evidence of fraud be found, they will take appropriate action.

In any instance of fraud, theft or irregularity whereby the amount defrauded comes to a total exceeding £5,000 in a financial year, the board of trustees will report it to the ESFA as soon as they become aware of it.

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

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

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

## 24. Cyber-crime

The trust is aware of the risk of cyber-crime and will implement its Cybercrime Policy across the trust.

Proportionate controls will be put in place to manage risks and appropriate action will be taken where a cyber-security incident has occurred.

The trust will obtain permission from the ESFA to pay any cyber-ransom demands and understands that the ESFA supports the National Crime Agency's recommendation not to encourage, endorse or condone the payment of ransom demands.

## **25. Monitoring and Review**

This policy will be reviewed on an annual basis, or when new legislation/guidance regarding the subject is published, by the audit and risk committee and the accounting officer.

The CFO will review and monitor all financial records continuously throughout the year, raising any concerns with the CEO.

The next scheduled review date for this policy is October 2025.

## Appendix 1 Summary of Financial Authorisation Levels – Academies

### Purchasing Authorities

*Approvals relate to prices net of VAT.*

Academy	Signing Limits	Name/Role
<b>Keystone Academy Trust (whole trust)</b>	>=£10k	· CEO and Trustee
	<£10k	· CEO/Deputy CEO
	<£5k	· CFO/Deputy CFO (non-curriculum/budgeted)
	<£1k	· COM (non-curriculum)
Related or Contentious Transactions	·	Full Trustee Meeting
<b>Three Form Entry</b>	>=£10k	· CEO and Trustee
	<£10k	· Head Teacher
	<£1k	· Assistant/Deputy Heads (curriculum)
	<£0.1k	· Purchasing Administrator
<b>Two Form Entry</b>	>=£10k	· CEO and Trustee
	<£10k	· Head Teacher
	<£1k	· Assistant/Deputy Heads (curriculum)
	<£0.1k	· Purchase Administrator
<b>One Form Entry</b>	>=£10k	· CEO and Trustee
	>£5k	· CEO
	<£5k	· Head Teacher
	<£1k	· Assistant/Deputy Heads (Curriculum)
	<£0.1k	· Purchase Administrator
<b>&lt;One Form Entry</b>	>=£10k	· CEO and Trustee
	>£5k	· CEO
	<£5k	· Head Teacher
	<£1k	· Assistant/Deputy Heads (Curriculum)
	<£0.1k	· Purchase Administrator
		·

<b>Central Teaching Team</b>	<£1k	·	Director
	<£0.1k	·	Purchase Administrator

Staff not employed by the MAT (eg Acting Headteacher from Agency) may not approve expenditure. Such expenditure must be approved by the CEO or CFO.

### Expense Claims

- All expense claims can be approved by the Senior Leadership Team as above.
- ALL Heads must have expense claims approved by the CEO/DCEO before occurring.
- Any expense claims by the CEO (or Acting CEO if applicable) must be reviewed by the CFO and approved by a trustee.

## **Bank Signatories**

Signatories for cheques and payment authorisations for individual academies and MAT (including BACS payments other than payroll)

Any two signatories/online banking authorisation from:

- Chief Executive Officer
- Deputy Chief Executive Officer
- Chief Financial Officer
- Deputy Chief Financial Officer

## **Other Financial Decisions**

Action	Approved	Reviewed
<b>Payroll Bacs</b>	<ul style="list-style-type: none"> <li>• Head (School)</li> </ul>	<ul style="list-style-type: none"> <li>• CEO</li> </ul>
<b>Budget virements:</b> <ul style="list-style-type: none"> <li>• &lt;£10k</li> <li>• £10k to £50k</li> <li>• &gt;£50k</li> </ul>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• CFO plus CEO</li> <li>• F&amp;A Committee</li> </ul>	<ul style="list-style-type: none"> <li>• CEO</li> <li>• F&amp;A</li> <li>• Board of Trustees</li> </ul>
<b>Disposal of assets:</b> <ul style="list-style-type: none"> <li>• &lt;£1k</li> <li>• £1k to £5k</li> <li>• &gt;£5k</li> </ul>	<ul style="list-style-type: none"> <li>• Headteacher/Head of School</li> <li>• CFO</li> <li>• CEO</li> </ul>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• CEO</li> <li>• F&amp;A Committee</li> </ul>
<b>Write-off of bad debts (after persistent attempts to recover)</b> <ul style="list-style-type: none"> <li>• &lt;£1k</li> <li>• &gt;£1k</li> </ul>	<ul style="list-style-type: none"> <li>• Headteacher/Head of School</li> <li>• CEO</li> </ul>	<ul style="list-style-type: none"> <li>• CFO/CEO</li> <li>• F&amp;A Committee</li> </ul>
<b>Purchase or sale of any freehold property</b>	<ul style="list-style-type: none"> <li>• Board of Trustees and DfE</li> </ul>	<ul style="list-style-type: none"> <li>• Members</li> </ul>
<b>Granting or take up of any leasehold or tenancy agreement</b>	<ul style="list-style-type: none"> <li>• Board of Trustees and DfE</li> </ul>	<ul style="list-style-type: none"> <li>• Members</li> </ul>
<b>Raising invoices to collect income</b>	<ul style="list-style-type: none"> <li>• CFO/Central Teaching Team Director</li> </ul>	<ul style="list-style-type: none"> <li>• CFO/dCFO</li> </ul>
<b>Expense Claims</b>	<ul style="list-style-type: none"> <li>• As per signing authorities.</li> <li>• CEO</li> </ul>	<ul style="list-style-type: none"> <li>• CFO/dCFO</li> <li>• Reviewed by CFO</li> <li>• Approved by Trustee</li> </ul>



### Charge Cards

School	Cardholder	Limit
<b>KAT</b>	• CEO	£5,000
	• CFO	£1,000
<b>BWPA</b>	• Head teacher	£5,000
<b>Tower Road</b>	• Head teacher	£5,000
<b>Long Sutton</b>	• Head teacher	£5,000
<b>Surfleet</b>	• Head teacher	£1,000
<b>Thurlby</b>	• Head teacher	£2,000
<b>Lutton St Nicholas</b>	• Head teacher	£1,000

Reviewed: October 2024