FINANCIAL PROCEDURES MANUAL

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1. Introduction

1.1 The overall purpose of this Manual is to ensure that the Methodist Independent Schools Trust (MIST) and its Schools maintain and develop systems of financial control which are both legally compliant and conform with the requirements of propriety and of good financial management.

1.2 The Manual contains two strands:

- Requirements of MIST in relation to the Schools' reporting and controls
- Recommendations of good financial practice, which Schools are invited to consider and to adopt. It is recognised that in some cases Boards of Governors may wish to adapt these in the light of their own specific circumstances.

1.3 It is recognised that Schools are of differing sizes and need to have operating structures to suit their organisation. This Manual does not therefore attempt to provide detailed instruction on procedures but rather to outline the principles that represent good practice. Individual Schools should consider how to apply these principles to their particular situation and it is recommended that sections covering specific procedures be appended to the school's copy, including details of the finance team and budget holders and their responsibilities and authority levels.

1.4 This version of the Manual was approved by MIST's Finance Committee on 4th September 2019. It will be the subject of regular review, with the Finance Committee formally approving changes on an annual basis. Any user wishing to recommend revisions should contact MIST's Group Accountant in the first instance. A tracked version of future amendments will be maintained by MIST Head Office and this will be available on request.

2. Overall Financial Arrangements

Relationship between the Schools and MIST.

2.1 Trust Schools: MIST is structured under a Unified Corporate Model (and shown diagrammatically in Appendix 1), in which the original eight Trust Schools (below) are separate elements within MIST. MIST Trustees have the ultimate legal responsibility for these schools. In order to exercise these duties effectively, MIST makes extensive delegation to the School Governing Bodies as set out in this manual and in the Governance Delegation Summary. But MIST does not divest itself of legal responsibility for any action taken arising from this delegated authority.

2.2 The Trust Schools are no longer separately registered with the Charity Commission (and thus no longer have their own charity registration numbers). This reflects the fact that MIST, together with the eight Schools within it, is a single legal entity. School Governors, therefore, govern their Schools in effect as sub-committees of the MIST Trustees. The Schools are, however, separately registered with the Department for Education (with MIST as their Registered Proprietor).

- Culford School (www.culford.co.uk)
- Farringtons School (www.farringtons.org.uk)
- Kent College, Canterbury (www.kentcollege.com)
- Kent College, Pembury (www.kent-college.co.uk)
- Queen's College, Taunton (www.queenscollege.org.uk)
- Shebbear College (www.shebbearcollege.co.uk)
- Truro School (www.truroschool.com)
- Woodhouse Grove School (www.woodhousegrove.co.uk)

2.2.1 In line with that, MIST is the contracting party for all contracts (employment, commercial for the supply of goods/services, and parent contracts) albeit a School will continue to enter into contracts signing for the School as part of MIST.

2.2.2 Each School has an Enterprise Company (or Trading Company) through which non-primary purpose trading activities are managed. Whilst MIST will be the sole corporate member of these companies, any profits that are given to MIST by an Enterprise Company will be ring-fenced for use by the School only and will not be available for wider use. Similarly, any fundraising conducted by a School (whether in a separate foundation or fundraising charity or carried out directly) will also be ring-fenced for the respective School's use and will not be available for any wider use by MIST or any other Trust School.

2.2.3 Those involved in administering Trust Schools should familiarise themselves with the Governance Manual and take decisions in relation to their School in accordance with the guidance within it.

2.2.4 Acquired Schools: These schools, all acquired since 2012, are separate charities established as companies and have a direct relationship with MIST, which is the sole member of each. MIST supports Acquired Schools and works with them in a similar way to the Trust Schools. However, Acquired Schools do not operate directly under the Instrument of Government or the Governance Manual, as they have their own constitutions. Acquired Schools may become Trust Schools in due course, and should be supported by their sponsoring Trust School in all legal, financial and administrative matters. MIST has formally requested all Trust Schools to consider

bringing the Acquired School which they originally sponsored wholly into their own legal, financial and administrative structures.
Currently, however, Acquired Schools are expected to comply with all parts of the Governance and Financial Procedures Manuals that are applicable to the running of the School. The Acquired Schools are:

- Lorenden Preparatory School (www.lorenden.org.uk) – governed by Kent College Canterbury
- Moorlands School (www.moorlands-school.co.uk) – governed by Woodhouse Grove School
- St Petroc's School (www.stpetrocs.com) – governed by Shebbear College
- Truro High School (www.trurohigh.co.uk) – governed by Truro High School for Girls Trustees

2.2.5 The Acquired School is the contracting party for all contracts (property, employment, commercial for the supply of goods/services, and parent contracts).

2.2.6 The Trustees of the Acquired Prep Schools (being Lorenden Preparatory School, Moorlands School and St Petroc's School) will be the School Governors of their Sponsoring School. Acquired Schools will remain registered charities, will file accounts and returns with the Charity Commission and Trustees will have full legal responsibilities and protection as a result.

2.2.7 **Associated Schools:** The Methodist Schools Property Company is the holding Trustee of the Associated Schools whose Governing Bodies are the managing trustees.

- Ashville College (www.ashville.co.uk)
- Kingswood School (www.kingswood.bath.sch.uk)
- Rydal Penrhos School (www.rydalpenrhos.com)

Associated Schools are run alongside MIST as Methodist Schools that have the support of MIST but are separate from it and are administered in accordance with their own governing schemes.

2.2.8 **Land and Buildings**: the Methodist Schools Property Company (MSPC) holds the legal title to each of the school properties of the Trust Schools (subject to a trust that is established to preserve the reserved rights of the Methodist Conference*). MSPC is also the holding Trustee of the Associated Schools' properties. MSPC is a separate charitable company of which MIST is the sole member. MSPC makes available the school property of each Trust School to MIST for each of the Trust Schools and, as holding trustee of the school property, will need to be the party to any acquisition or disposal of land (or rights to land) of a Trust School. Basically any transaction which deals with the granting of rights over property for the Trust Schools will require both the prior approval of MIST Trustees and MSPC as Trustee of the School Properties. MSPC as owner will be required to sign the necessary documentation. This applies to the following non-exhaustive list of transactions of whatever value:

- charges;
- purchase of land and buildings;
- sale of land and buildings;
- taking on a new lease, surrendering or disposing of an existing lease;
- a deed of easement, including a wayleave.

For any transaction of this nature the School must prepare a proposal which is submitted to the MIST Group Accountant who will co-ordinate the escalation of the request. The timing of this approval process must be discussed in advance and considered as part of the overall scheme.

Note: The property of the Acquired Schools remains with those Schools. Any property decision will require the prior approval of MIST Trustees but will be contracted by the Acquired School.

* *Under this trust, the Methodist Schools Property Company holds the land and buildings of the Trust Schools for the purposes previously set out in the 1903 Trust. The President of the Methodist Conference is entitled to appoint three individuals as Protectors, to whom MSPC must report annually.*

2.2.9 **Affiliated Schools:** MIST encourages contact and sharing of best practice with the other Methodist Independent Schools: The Leys School (www.theleys.net), St Faith's School (www.stfaiths.co.uk), Queenswood School (www.queenswood.org), Kent College Dubai (www.kentcollege.ae) and Kent College Hong Kong.

2.3 Responsibilities of Governors

The responsibilities of School Governors are set out within the MIST Governance Manual.

2.3.1 It is normal for School Governing Bodies to delegate matters of Financial Governance to a Finance Committee, with delegated powers formally agreed by the Board. The Chair of the Finance Committee, and preferably other members, should have appropriate financial experience. This Committee should receive and review detailed financial papers, including regular management accounts. It should also set authorisation limits and examine in detail draft budgets, annual 5+5 projections, development plans, statutory accounts, school fee proposals etc, prior to recommending them to the Full Board. (Note: A 5+5 is a financial summary in a

MIST defined format including 5 years of financial history and 5 years of projections). Whilst responsibility for reviewing financial performance is delegated to the Trust's Finance Committee, MIST Trustees must satisfy themselves with regard to the financial performance of the Trust.

2.4 Responsibilities of the Head and Bursar

(The term Bursar is used throughout this Manual. This should be taken to refer to a School's senior financial executive, whatever his or her title)

2.4.1 The Head and the Bursar report to the Governors and to MIST for the day to day financial management of the School. Both will normally attend meetings of Governors and their Finance Committee.

2.4.2 Within the framework of the School's development plan as approved by the governing body the Head has overall executive responsibility for the School's activities including its financial activities. Much of the financial responsibility will be delegated to the Bursar but the Head will normally retain responsibility for approving new staff appointments to the extent authorised by the governing body and approving expenditure within authorised limits. The Head has ultimate responsibility to account to the School Governors for the financial performance of the School.

2.4.3 The Bursar is responsible for ensuring the School complies with financial reporting laws and regulations, including tax compliance, and for liaison with relevant regulatory bodies e.g. ISI, OFSTED, etc. The Bursar is responsible for ensuring that MIST financial policies and reporting requirements are complied with.

2.4.4 The Bursar will work in close collaboration with the Head through whom he or she is also responsible to account to the governors. The Bursar should also have direct access to the governors via the Chair of the Finance Committee. The main responsibilities of the Bursar are:

- the day to day management of financial issues including the School's accounting system;
- the management of the School's financial position at a strategic and operational level within the framework for financial control determined by the governing body;
- in conjunction with the Head, preparing and maintaining the School's Business Plan for approval by its Governors and submission to the MIST Trustees for approval;
- the maintenance of effective systems of internal control;

- preparing budgets and annual 5+5 projections for approval by the governing body;
- ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of the school;
- the preparation of regular management accounts (at least termly but monthly is recommended as this provides a School with greater control and early warning of any issues);
- authorising orders and approving online payments and cheques in accordance with approved limits;
- monitoring of bursaries and other fee discounts;
- credit control;
- preparation of VAT returns for submission to MIST;
- providing financial reports to MIST as required;
- managing other members of Bursary staff;
- attending Bursars' meetings organised by MIST.

2.5 Register of Interests

2.5.1 Charities law requires that trustees and managers should avoid any conflicts of interest. This requirement is managed in part by keeping a register of any known conflicts of interest or other business interests. The requirement to register also extends to "related parties". In the context of a School, "trustee" should be taken to refer to the Governors, and "manager" should be taken to refer to any member of the Senior Management Team and any other individual who exercises any significant financial responsibility (such as an Estates Manager if authorised to commit expenditure).

2.5.2 The register should include all business interests such as directorships, shareholdings or other appointments of influence within a business or organisation which may or may not have dealings with the school. Relatives either employed by or attending the school should be disclosed. The disclosures should also include the interests of relatives such as a parent or spouse or business partner where influence could be exerted over a governor or a member of staff by that person.

2.5.3 The existence of a register of interests does not, of course, detract from the duties of governors and staff to declare interests whenever they are relevant to matters being discussed by the governing body or a committee. Where an interest has been declared, the governors or staff member should not vote on that item and may be asked to withdraw, at the Chair's discretion.

3. Financial Policies

3.1 The principal financial policies are intended to be simple to understand, consistent with each other and to lead to financial sustainability whilst generating funds for reinvestment. More explanation is provided in the document but in summary the key financial policies for the Schools are:

3.1.1 Surplus as a % of Gross Fee Income to be at least 5% after all expenses, including interest and depreciation. MIST recognises that the ongoing improvement of facilities is a key issue and, as long as the other policies are achieved, may alternatively accept a lower Surplus than 5% if the Surplus before Depreciation is at least 10% of Gross Fee Income. This latter will be at the discretion of the Finance Committee and reviewed on a case by case basis.

3.1.2 Total Loans (both MIST and other external borrowing) to be no more than 25% of annual Gross Fee Income.

3.1.3 General Reserve to be at least 5% of the School's recurring annual Total Income.

3.2 Whilst a key benefit to a School in being a part of the Group is the strength of MIST to provide loans and the support to guide Schools through challenging times, it is fundamental to the Group that each School is individually financially sustainable.

4. Financial Systems and Controls

4.1 Accounting system

All Trust schools use a common accounting system to record financial transactions. This is currently the PASS accounting system, supplied by WCBS, but a working party is currently considering whether another system would better suit the needs of MIST. Schools are free to choose other systems and modules (eg educational administration , bookings, events etc) which best suit their needs and context, but smooth integration with the accounting system should always be considered to improve efficiency and protection of data. Access to all systems – especially the accounting system - should be restricted to authorised personnel by utilisation of password protection.

4.2 Back-up Procedures

The Bursar should be responsible for ensuring that there are effective back up procedures for the system. There should also be a disaster recovery plan in the event of loss of accounting facilities or financial data. This should link in with the annual assessment made by governors of the major risks to which the school is exposed and the systems that have been put in place to mitigate those risks. The ability to recover from backup files should be tested at least annually.

4.3 Banking arrangements

4.3.1 Banking facilities are arranged centrally by MIST, whose bankers are currently HSBC. All schools' accounts are held under a group arrangement at the Vauxhall Bridge Road Branch of HSBC (sort code 40-02-06).

4.3.2 Bank accounts mandates have two categories of signatories; Trust signatories (approved by MIST's Finance Committee) and School signatories (approved by the School's governing body). The Bursar should maintain a list of School signatories and report any changes to MIST's Group Accountant.

4.3.3 A School may not open any new bank account without the consent of MIST's Business Director.

4.3.4 Whenever school resources are expended (through cash or otherwise) the broad principle of "at least two pairs of eyes on the detail of every transaction" should be adhered to in all cases as a minimum, and ideally three people as normal practice.

4.3.5 All payments should be authorised by two signatories. The same person should not be able to set up and authorise a payment (in exceptional circumstances where this separation of responsibilities is not possible, alternative controls should be in place). Where electronic systems of payment do not require two signatories, a paper record of the transaction, counter signed by a second signatory, should be kept. MIST Trustees have instructed MIST signatories not to authorise payments where a School signatory has authority to authorise the payment.

4.3.6 Wherever possible the use of cheques should be eliminated, as they create increased opportunities for fraud. However if a school sees the need to retain cheques then they should be kept securely locked away in a safe, and require two signatories for their authorisation.

4.3.7 MIST signatories will only authorise transactions on a School's account in relation to intra-group transfers and will not do so without prior notice.

4.3.8 The Bursar is responsible for preparing and maintaining cash flow forecasts to ensure that the School has sufficient funds available to pay for day to day operations. Overdrafts are not permitted on School accounts and it is the responsibility of the Bursar to ensure that accounts remain in credit at all times. If it is discovered that an overdraft situation is likely to arise, the Bursar must inform MIST's Business Director at the earliest opportunity.

4.4 Cash Management

4.4.1 Only designated named staff should be authorised to accept cash receipts on behalf of the School. Written receipts should be issued where appropriate. (See Clause 8.11 Money Laundering).

4.4.2 Cash receipts should be banked promptly and intact and not used as a source for petty cash payments.

4.4.3 In the interests of security, it is recommended that petty cash payments be kept to a minimum and normally limited to £50. Higher value payments should be made by cheque or by bank transfer. It is recommended that employees with regular expense payments be reimbursed on a monthly basis through the payroll system.

4.4.4 All claims for cash payment should be made in accordance with the School's expense or purchasing policies, be independently authorised and supported by original third party receipts or invoices.

4.4.5 The provision of cash advances should be kept to a minimum and, where given, always subsequently reconciled to receipts.

4.4.6 Governors should set a maximum cash balance that is held within the School. Cash should be held in a locked safe and the Bursar should ensure that adequate insurance cover has been obtained.

4.4.7 The Bursar is responsible for ensuring that all transactions are entered into the petty cash records on a regular basis. Regular, unannounced cash counts should be undertaken by an independent manager to ensure that the cash balance reconciles to supporting documentation.

4.5 Reconciliations

4.5.1 Bank reconciliations should be completed regularly – at least on a monthly basis. Reconciliation procedures should ensure that:

- all bank accounts are reconciled to the School's cash book and nominal ledger;
- reconciliations are prepared by an appropriately qualified member of staff;

- reconciliations are subject to an independent monthly review carried out by the Bursar. If the Bursar prepares the reconciliation, the independent review should be carried out by a suitable person such as the Head or the Chair of the School Finance Committee;
- any unexplained entries, in cash book or on bank statements, are investigated promptly;
- any adjustments arising are dealt with promptly.

4.5.2 The Bursar should be responsible for ensuring that the following other reconciliations are also performed each month, and that any reconciling or balancing amounts are cleared:

- billing ledger control account;
- purchase ledger control account;
- payroll and deductions control accounts;
- all suspense accounts.

4.5.3 Termly reconciliations should be carried out of nominal ledger accounts for fees, rechargeable extras, deposits, and advance payments. These reconciliations should also be subject to an independent review carried out by the Bursar. Any unusual or long outstanding reconciling items must be brought to the attention of the Bursar.

4.5.4 Suspense accounts should only be used where it is not possible to code a transaction initially. Balances should not be left on suspense accounts indefinitely and should be identified and posted to the correct account as soon as possible.

4.6 Fixed Assets

4.6.1 The Bursar should ensure that the School maintains a Fixed Asset Register, which should include sufficient detail to ensure that each asset is separately identified. The register should include the date of purchase, cost, rate of depreciation and a history of the amount of depreciation charged. Advice on whether items should be treated as capital or revenue can be found at section 6.4.6 below.

4.6.2 Fixed assets that are to be disposed of, whether by sale or scrap, should be authorised for disposal by the Governors' Finance Committee where they individually exceed £500 in value.

4.6.3 The register should be reviewed periodically (at least annually) and updated for disposals or scrapping of obsolete items. There should be a physical inventory of movable fixtures and any unexplained discrepancies reported to the Finance Committee.

4.6.4 All acquisitions and disposals of land and property require the consent of MSPC and must be in the name of MSPC. Any proposals for the acquisition or disposal of land or property must be brought to the attention of MIST's Business Director who will refer it to MIST's Finance Committee.

4.7 Fraud

4.7.1 Whilst the Group external audit will consider the susceptibility of MIST to fraud, it is the responsibility of each School to ensure it has policies and procedures in place to detect and prevent fraud.

4.7.2 Any attempt to defraud a School, or any fraud of which a School becomes aware, must be reported to MIST's Business Director.

4.7.3 One of the key risks to any modern business is cyber fraud. Professional cyber-security reviews and penetration testing are recommended periodically to discover and address weaknesses in a school's systems. However, one of the best defences in this area remains the good training and common sense of staff members across the school (not only in the Finance Team). The Bursary – in conjunction with the IT team – should run regular awareness and training sessions to update staff on the latest risks and developments in this area (the ISBA website has a number of useful resources in this regard). A healthy degree of scepticism surrounding suspicious emails, phone calls or other communications is to be encouraged across the staff teams to prevent cyber-fraud and spoofing.

4.7.4 Other common fraudulent schemes include 'whaling' (urgent requests for payment purportedly coming from the Senior Management Team which request controls to be bypassed), phishing (requesting passwords or sensitive data through a variety of means in order to gain unauthorised access), supplier invoice fraud (fake invoices, spoof requests for bank account changes – often for larger invoices at the last minute). Again, staff in the finance teams should be trained and made aware of all such schemes.

4.7.5 Please also refer to MIST's policy on Bribery and Anti-Corruption.

5. Financial planning

5.1 Financial Year

MIST's financial year runs from 1 September to 31 August. Schools are required to report to MIST on a termly basis, with the year being divided into three 4 month "financial terms" ending on 31st December, 30th April and 31st August. Schools should, however, be budgeting and reporting internally more frequently (e.g. monthly).

5.2 Schools should prepare both medium term and short-term financial plans. The medium term financial plan should be prepared as part of the development planning process, reflecting the resource implications of the School's educational and other objectives over the next five years. The financial projections supporting the School's development plan are referred to as the 5+5 projections. The short term financial plan should take the form of the annual budget.

5.3 Development Plan

5.3.1 The development plan is concerned with the future aims and objectives of the School and how they are to be achieved; this includes matching the School's objectives and targets to the resources expected to be available. Plans should be kept relatively simple and flexible. They are the "big picture" within which more detailed plans may be integrated.

5.3.2 The completed development plan will include detailed objectives for the coming academic year and outline objectives for the following years. The plan should also include the estimated resource costs, both capital and revenue, associated with each objective and success criteria against which achievement can be measured. The 5+5 represents the financial projections which derive from the development plan.

5.3.3 MIST is a charity. Profit maximisation is therefore not an objective; however, sustainability is. Section 3.1 sets out MIST's targets for its Schools to achieve financial sustainability and Schools will be expected to demonstrate such sustainability in their development plans.

5.4 Annual Budget

5.4.1 The development plan should provide the framework for an annual business plan, the financial element of which will form the annual budget. The budget is a detailed statement of the expected resources available to the Schools and the planned use of those resources for the following year.

5.4.2 The purpose of budgeting is to ensure that the target income and expenditure are realistic and in accord with MIST's objectives and the Governors' Development Plan. It is therefore necessary for the budgeting process to take place in advance and in time to take corrective action should this prove necessary. Schools' Finance Committees should therefore be reviewing draft budgets in the spring term.

5.4.3 The budget should contain the following elements:

- Expected fee income, based upon fee levels approved by the Governors and the Head's best estimate of the likely number of pupils in the coming year;
- Other income sources;
- Expenditure informed by past performance and the identification of potential efficiency savings;
- A review of the main income and expenditure headings in light of the business plan objectives and other anticipated changes e.g. pay increases, inflation;
- A capital expenditure budget;
- A cash flow forecast that takes account of timing differences through the year;
- Balance sheet.

5.4.4 Comparison of estimated income and expenditure will identify any variations against the agreed development plan. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where cuts can be made. This may entail prioritising tasks and deferring projects until more funds are available. Plans and budgets will need to be revised until a satisfactory balance of income and expenditure has been achieved.

5.4.5 Once the different options and scenarios have been considered, a draft budget should be prepared by the Bursar in conjunction with the Head for approval by the Finance Committee and the full governing body. It is recommended that all staff with budgetary responsibility be included in the process and that the final budget should also be communicated to them so that everyone is aware of the overall budgetary constraints. In particular the Senior Management Team should be aware of the financial performance and projections of the School so that they can support the Head and the Bursar in the achievement of their financial objectives.

5.4.6 The budget should be accompanied by a statement of assumptions and hierarchy of priorities so that if circumstances change, it is easier for all concerned to take remedial action.

5.4.7 As part of the annual budgeting process, Schools should review and update their five year plans (5+5 projections). Where this review shows a significant departure from the previous year's version, a note of explanation should be prepared for the

Governors and MIST's Finance Committee. Such a note of explanation should explain whether the changes are due to (for example) unanticipated circumstances or a change in strategic policy.

5.4.8 MIST's Group Accountant is responsible for collating all School budgets and updated 5+5 projections and presenting these in consolidated form to the summer meetings of MIST and its Finance Committee. Schools' Budgets and five year plans must therefore be completed, approved by Governors and submitted to MIST's Group Accountant in the prescribed form in good time before MIST's Finance Committee. MIST's Group Accountant will inform Bursars of the date by which the Budget is required during the preceding Autumn Term.

5.4.9 The budget submitted to MIST will reflect the best estimate of the resources available to MIST and its Schools for the forthcoming year. The commentary and format should be as laid out in Appendix 2.

5.4.10 It is recognised that there will inevitably be changes that will impact on the accuracy of this "MIST Budget" after it has been finalised, such as changes in pupil numbers and unforeseen costs. Schools should continually be updating their forecasts for the year (and beyond) in the light of such changes; however, the Budget as agreed by the MIST Finance Committee will remain the unchanging benchmark against which such variances and the actual results are measured. MIST will review changes in forecasts on a termly basis along with the submission of the termly Management Accounts. As soon as a School becomes aware of a material variance in performance to the full year forecast, the Bursar must advise the MIST Group Accountant of the likely outcome and the circumstances behind the variance.

5.4.11 Forecasts should be prepared on a "most likely" basis. Material under forecasting should be avoided just as much as unrealistic over forecasting of the outcome. The use of large unspecified contingency factors in Budgets and Forecasts is not recommended both because it can lead to a lack of focus by management and also because the consolidation of contingency factors may lead to a distortion of the consolidated position. The use of alternative scenarios may be a useful way of demonstrating to School Governors the possible different outcomes.

6. Accounting

6.1 Transaction Processing

It is recognised that Schools and their Finance Departments vary in size and that the organisation of transaction processing and the systems of control appropriate will therefore also vary. Schools' governing bodies should consider and approve procedures that:

- ensure all transactions are input in a timely and accurate manner into the accounting system;
- ensure transactions are correctly authorised and analysed;
- maintain appropriate levels of segregation of duties;
- ensure reconciliations and control accounts are completed and reviewed on a timely basis (see 4.5 above);
- produce reports fit for purpose; and
- leave an adequate audit trail.

6.2 Management Accounts

6.2.1 Schools are required to prepare termly Management Accounts (including Key Performance Indicators) in the form required by MIST, and submit these to MIST's Group Accountant within one month of the period end.

6.2.2 The current form of Management Accounts (and Key Performance Indicators) required by MIST are shown in Appendix 2. This may be updated from time to time by MIST or its Finance Committee. MIST's Group Accountant will issue templates of the prescribed form to Bursars.

6.2.3 School governing bodies may wish Management Accounts to be prepared more frequently or with greater detail than that required by MIST, and are encouraged to do so if this assists in the management and governance of the school. However, Schools should make their submissions using MIST's prescribed format and not a variation developed for use within that School.

6.2.4 The prime purpose of management accounts is to provide timely and relevant information to governors, management and MIST so that the progress of the School can be monitored. The Governors' Finance Committee should ensure that appropriate systems are in place to ensure that significant variances to budget or forecast are properly investigated and explained. Controls should also ensure that budget overspends are properly authorised, in advance of excess expenditure being incurred.

6.3 Consistent reporting

In order that MIST is able to report in a consistent, coherent and comparable manner, Schools are required to follow MIST's accounting policies and top level analysis. These are consistent with the Charities SORP and other published guidance and are set out below. It is recognised that individual schools may wish to develop more detailed analyses appropriate to their particular circumstances and they are encouraged to do so. Such analyses should however be within the overall framework set out by MIST.

6.4 Accounting policies

6.4.1 School fees, discounts (including scholarships and bursaries) and additional fees should be accounted for in the period (term) in which the service is provided. SORP requires discounts to be netted off gross fees, rather than showing them as an expense

6.4.2 The treatment of "Extras" will depend upon whether the School is acting as *principal* or *agent*. An example of this is transport charges; if a school organises buses and aims to recover its costs by charging a fare, it is acting as *principal* and the income should be shown as such and the associated costs as expenditure. If however it organises a taxi and directly recharges the cost incurred to the student's account, it is acting as *agent* and in this instance the cost and its recovery should be netted off.

6.4.3 Where some fees are billed in arrears, care should be taken to ensure that the income and any related expenditure are reported in the correct period.

6.4.4 Income should only be credited if it is probable that it will be received. Fees in lieu of notice and interest on overdue bills should not be treated as income until it is known that they are collectable.

6.4.5 Expenditure should be analysed by reference to a clear coding structure relevant to the School's operations.

6.4.6 Capital and revenue expenditure should be properly distinguished, taking account of the following guidelines:

- Asset purchases of less than £2,000 should not be capitalised, but charged to revenue. However, when individual assets are purchased as part of a more substantial project, they should be capitalised. For example, the purchase of an individual item of furniture or pc should not be capitalised, but if a large number are purchased as part of the fitting out of a new suite or boarding house this should be capitalised.
- All costs of a capital expenditure project should be dealt with consistently, including but not limited to legal and professional fees, consultancy costs, planning permissions, delivery, VAT, furnishings and fitments, cabling, installation costs, etc.
- It may be appropriate to capitalise major premises refurbishments, dependent on whether there is a significant improvement element, the expected life of the project and whether it forms part of a planned maintenance programme. In order that a consistent policy is adopted across the group, guidance should be sought from MIST's Group Accountant where there is uncertainty.

- Items with an expected useful life of less than two years should not be capitalised.

6.4.7 The normal depreciation rates adopted by MIST should be followed by Schools unless it is considered that do so would give an unfair view, in which case MIST's Group Accountant should be consulted. These rates (all of which are "straight line") are:

New buildings	2%
Improvements to buildings	4%
Sports pitches	5%
Fixtures, fittings and equipment	20%*
Computer equipment	33⅓%
Vehicles	20%

** Note: Any plant and machinery costs (including where part of a new building) should be depreciated at 20% per annum.*

Depreciation should be charged from the first complete term that an asset is brought into use.

6.4.8 The bad debt provision should be reviewed at least annually by reference to unpaid fees and any other amounts included in the ledgers, rather than by making a general provision. As a guide, a partial provision should normally be made for debts outstanding for more than one term and a full provision for those outstanding for more than one year. It is however recognised that exceptions may be appropriate if security has been taken or a satisfactory arrangement for payment made.

6.5 Trust Assessment

6.5.1 The Trust Schools operate as a part of MIST and therefore the income of the schools is the income of MIST. However, it is the policy of MIST that all the income should be retained for the benefit of the schools which generated them in order to finance their operating costs and the costs of future developments, except for the amount required by MIST to:

- Service its own costs and those of its Executive;
- Finance any costs that it chooses to bear centrally;
- Maintain central Trust reserves at an appropriate level;
- Finance other initiatives it may choose to make.

6.5.2 This amount is reviewed by MIST annually, and is known as MIST Assessment. One third of the annual assessment is collected each term. The three tiers of assessment applicable from 1 September 2019 are as follows – varying based on whether the school has met the MIST targets as set out in 3.1 for the previous financial year:

I. 0.75%* - schools meeting all 3 targets
II. 1.0%* - schools in surplus but not meeting the targets
III. 1.25%* - schools in deficit

**Calculated with reference to the previous year's Gross Fee Income*

6.5.3 The assessment should be included as a Management and Governance cost in the management accounts. For the purposes of the statutory accounts, 50% of the cost should be shown as an administration cost and 50% as a governance cost (reflecting its utilisation).

6.6 Nominal ledger analysis

All Schools currently use "PASS for Windows" software produced by WCBS for accounting purposes. The coding structure should be consistent with, and support easy completion of, the MIST financial templates (see Appendix 2). For guidance in this area please contact MIST's Group Accountant..

6.7 Cost Centres

It is expected that School management teams and governors will require financial information at a more detailed level than that normally required by MIST, and they are encouraged to develop reporting that provides a detailed understanding of the differing aspects of operations and which gives managers information appropriate to their responsibilities. This can be achieved either by additional nominal ledger codes or by use of the "Department" facility in PASS. Examples of more detailed analyses might include:

- Profitability of different parts of the school, e.g. Prep, Senior School and Sixth Form;
- Identification of costs relating to particular operations, e.g. boarding;
- To allocate and control departmental budgets, both teaching and operational;
- To identify and control income and costs on specific activities, e.g. school trips;
- To identify costs for recharge, e.g. catering for external users.

6.8 Statutory Accounts

6.8.1 As the 8 Trust Schools (named in 2.2) operate as part of MIST, the accounts for those schools are prepared to support MIST's own accounts and the Group consolidation and to provide assurance both to the School Governors and to MIST Trustees that the finances are properly managed. The Trust Schools will follow the same timetable for reporting and auditing as the Acquired Schools. Each Acquired School is separately registered as a charity and is therefore required to prepare statutory accounts compliant with the Charities SORP. Statutory Accounts are more accurately termed “Annual Report and Accounts”, which reflects the fact that a Trustees’ Report is required as well as the Accounts. The Trust Schools will no longer need to prepare a Trustees’ Report – that will be addressed by the completion of the Annual School Report. MIST’s Group Accountant will issue a timetable and guidelines each year together with templates for both the Report (for Acquired Schools only) and Accounts sections (for all schools). It is the responsibility of the Bursar to prepare the School’s Accounts using the template provided and to prepare an audit file. The Trustees’ Report (where relevant) contains narrative sections that should be approved by the Head and Chair of Governors. See 7.1 for details of the audit process.

6.8.2 The Report (where relevant) and Accounts must be formally approved by the full Board of Governors; this should take place at the earliest opportunity but no later than the Spring Term following the year end.

6.8.3 Bursars are responsible for providing the information pertinent to their School to MIST’s Group Accountant in the form requested to enable preparation of the consolidated accounts of MIST.

6.8.4 MIST’s Group Accountant will file the Accounts of MIST with the Charity Commission. Heads and Bursars are responsible for complying with any information requests to enable these to be fully and correctly completed. Filing of other Accounts (Acquired School accounts, trading subsidiaries, and fundraising trusts) is the responsibility of the Bursar.

6.8.5 Trust Schools are not required to file accounts on the Charity Commission website as they are no longer registered charities. However, should they wish to make their financial information publicly available they may choose one of the following three options:

- File the full non-statutory accounts on their School website;
- Refer to MIST’s Trustee Report and Consolidated Financial Statements and provide a link to those;
- Prepare summary financial statements, a template for which is included as Appendix 3.

6.9 Gifts in Kind

6.9.1 Under charity accounting rules, schools are required to account for gifts in kind, including donated services and facilities (but excluding contributions of time from volunteers). The Bursar should therefore maintain a register of all such gifts, the annual value of which should be referred to MIST's Group Accountant to be included in the Trustees' Report of MIST. Bursars of the Acquired Schools should include this annual value in the Trustees' Report for their School and also submit the information to MIST's Group Accountant.

6.9.2 Where the gift is to a member of staff, guidance can be found in MIST's Anti-Corruption and Bribery Policy.

7. Audit

7.1 External Audit

The Auditors for the group are appointed by MIST. The current auditors are RSM. Although the Schools do not have to prepare separate statutory accounts, the information still requires to be prepared to the same standard for inclusion in MIST's consolidated accounts. Schools are required to prepare non-statutory accounts for the School Governors to enable the Governors to exercise their delegated responsibility for financial management. A Trustees' Report will not be required for the school non-statutory accounts. The fuller reporting will be carried out through the Annual School Report.

The audit process comprises:

• Planning meeting between the Auditors and MIST's Audit Committee	*Sept*
• Planning meeting between the Auditors and the Bursars of the Schools	*Sept*
• Preparation of draft non- statutory accounts prior to audit site visit	*Oct*
• School on site audits (normally about a week at each school)	*Oct/Nov*
• Preparation of Final School Accounts, approval by Finance Committees and Governors, and submission to MIST	*Dec*
• Preparation of Group Consolidated Accounts	*Jan*
• Approval by MIST Audit Committee	*Feb*
• Approval of Group Accounts by Trustees	*Mar*

A detailed timetable will be produced by the Group Accountant in consultation with the Auditors each year.

8. Fees and Discounts

8.1 Setting fees

8.1.1 It is the responsibility of local governors to set fees. Fee levels should be set having regard to the financial requirements of the School, its position in the market, the requirements of the Charities Acts (particularly in relation to Public Benefit) and the ethos of MIST

8.1.2 Competition law requires schools to set fees independently of competitors and not to enter into any cartel arrangements. Legal advice has been obtained that has confirmed that those Schools under MIST's control (i.e. the Trust Schools and the Acquired Schools) may be regarded as a single entity and the exchange of information between its schools is therefore permitted. This does not however extend to the Associated Schools, with whom discussions of fees and other financial information should be limited to that permitted under the legislation.

8.1.3 Fees are normally set for an academic year, and parents should be given one term's notice of an increase. The process of setting fees, including approval by the School Governors, should therefore be completed and notified to parents before the start of the summer term preceding the September of the year for which the fee increase applies.

8.2 Discounts

8.2.1 Besides setting fees, governors should annually review and approve the overall framework of discounts that the school provides, having regard to all the factors mentioned in 8.1.1 above. The main forms of discounts provided are discussed in sections 8.3 to 8.7 below.

8.2.2 Governors should establish a system that ensures that:

- Proper account is taken of Charity Commission guidance, particularly in relation to Public Benefit;
- The availability of awards is advertised to potential parents;
- Any potential conflicts of interest between those granting and receiving awards are disclosed and approved by governors without any such conflict, particularly if any element of an award is discretionary;
- There is overall budgetary control for the level of discounts issued including an overall limit set either as a value or as a percentage of fees.

8.2.3 Current Charity Commission guidance places greater emphasis on bursaries as an indicator of public benefit than scholarships. As a consequence there is a trend to increase, in value terms, the level of bursaries and to limit the percentage of fees offered by way of scholarship. In line with this guidance, it is recommended that there should be a limit on the maximum value of scholarships of 25% or a fixed sum of say £2,000 but that this should not apply to bursaries, which may be up to 100% in special cases.

8.2.4 Where awards have been established as a result of a bequest, the School should ensure that it complies with its conditions. If this becomes impracticable, it may be necessary to obtain Charity Commission approval for a variation – advice should be sought from MIST Executive Officers in this instance.

8.3 Scholarships

Scholarships are defined as competitive awards based on merit, either for academic excellence or for an extracurricular discipline, such as sport or music. The basis upon which awards are made, and their value, should be clearly advertised.

8.4 Bursaries

8.4.1 The term "Bursaries" is used to describe all means tested awards. Requests for financial support usually fall into two categories:

- New applicants to a School, where a place has been offered, with or without a scholarship, but parents or guardians are unable to fund the tuition fees;
- Existing pupils where a change in parents' or guardians' circumstances has resulted in difficulty in meeting tuition fees and may result in the pupil being withdrawn part way through a stage of education.

8.4.2 The responsibility for awarding a bursary rests with the Head working within an overall policy set by the Governors. The Head will be assisted by the Bursar in the awarding of bursaries and may also consult with one or two Governors (acting as an Awards Committee). The process should be confidential to these persons.

8.4.3 Application for a bursary should entail parents/guardians filling in a standard form (which may be based on the ISBA template) which will be returned to the Bursar. The form should require parents/guardians to make full disclosure of earnings, income from all other sources and all assets. It should be accompanied by appropriate independent documentary evidence, including tax returns, accounts of any companies in which they have a controlling interest and mortgage statements. Either on the form or in a covering letter, parents/guardians must identify significant issues or changes in family arrangements (e.g. death of a parent/guardian, separation or divorce) and any special needs. In assessing this information and in the interests of fairness a Bursar may choose to make a home visit to ensure that the information has been correctly interpreted.

8.4.4 The total of the bursaries awarded should be limited to the allocation in the school budget. Governors or an Awards Committee should review and approve annually the scale of awards to be made on the basis of parents' declarations.

8.4.5 Each bursary is awarded on the Head's discretion (working within the School's policy) on the basis of need alone, accompanied by the judgement that the child is able to benefit from the education provided in the school. It is recognised that a strict mathematical scale will not be appropriate in all circumstances; however if the amount of an award is varied due to non-quantifiable factors a confidential record of the basis of the decision should be maintained.

8.4.6 Each bursary should be awarded for the current school year only. A bursary may be awarded to particular parents/guardians in succeeding years, subject to an annual review of the financial, personal and family circumstances of the parents/guardians.

8.4.7 It is not unusual for the demand for bursaries to outstrip the funds available. Applicants should be made aware that late applications or the failure to fully provide information requested may result in their case being deferred until the next academic year.

8.4.8 It is recommended that within overall budget funding, schools should set aside each year an element of the Bursary Fund, for cases of sudden, unforeseen need or where applications meriting bursary assistance are received out of the normal calendar cycle for bursary submission, scrutiny and award. This sum will be set within budgetary constraints. Parents or guardians should understand that such awards are subject to the availability of funding and cannot be guaranteed.

8.4.9 Awards should not be back-dated against outstanding fees.

8.4.10 There are external agencies who (for a relatively modest fee) carry out financial checks on families requesting bursaries which can be very helpful in establishing real need. Details are available from MIST's Business Director.

8.4.11 MIST operates the Methodist Bursary Fund and some other small award funds. Details are available from MIST's Group Accountant.

8.5 Staff discounts

8.5.1 It is common practice for independent schools to offer staff discounts to teaching staff; many extend the benefit to all staff. Discounts are generally offered on a pro-rata basis to part time staff. It is recommended that fees from staff are collected on a monthly basis by deduction from their salary to prevent a member of staff from building up arrears to the school which they are then unable to pay.

8.5.2 It is the responsibility of Governors to set the level of discount. Factors to consider include the School's overall financial position and discount structure and the need to attract staff of the appropriate calibre. These factors may also impact upon whether the level of discount is the same for all staff, or enhanced for a particular position or level of seniority. From an employee's perspective, the discount is likely to be regarded as a component of an overall salary package.

8.5.3 Within MIST a maximum staff discount of 50% is considered reasonable.

8.5.4 From the perspective of HMRC, a staff discount is a benefit in kind. It has however been established that the value of the benefit is not the amount of the discount but the marginal cost to the school. As a guideline, the benefit is unlikely to be deemed taxable provided it does not exceed 85% of fees. Any School offering a discount at or above this figure should seek guidance from MIST's Business Director.

8.5.5 Either as an alternative to or combined with staff discounts, schools may consider "salary sacrifice" schemes, which historically have been tax efficient for staff whilst providing cost savings for schools.

8.5.6 From 6 April 2017, changes to the legislation mean that the tax and National Insurance Contributions (NICs) advantages where benefits are provided through arrangements under which the employee gives up the right to an amount of earnings in return for a benefit, are largely withdrawn.

8.5.7 For salary sacrifice arrangements entered into before 6 April 2017, transitional provisions mean that the new rules will not apply until 5 April 2021, provided any new contract relates to:

- The same employment with the same employer;
- The same school;
- The same child.

8.5.8 Salary sacrifice arrangements entered into from 6 April 2017 no longer benefit from the income tax advantage previously available. The amount of salary given up in return for the discounted school fees will need to be reported on form P11D ensuring that it is charged to income tax and employer's NIC. P11D benefits do not attract employee's NIC, so savings will still be available to the employee but at a significantly reduced rate.

8.5.9 These schemes may be complicated to administer and the new tax legislation has significantly reduced the financial advantage of them. Any School considering implementing such a scheme should consult MIST's Business Director before doing so.

8.6 Other discounts

8.6.1 Schools may offer a range of other discounts, for example for the children of ministers or members of the armed forces or where there are siblings at the school. Such discounts should be transparent and appropriately advertised. Having regard to the guidance on Public Benefit, Governors should consider the extent to which all such discounts should be means tested.

8.6.2 It is becoming increasingly common for parents who are not in financial difficulty to seek a discount. This should be resisted.

8.7 Discretionary Awards

8.7.1 It is recognised that a rigid discount structure may occasionally result in cases where there is no category to provide an award, or to top up an award, where there are compelling reasons to do so. To provide for such cases, Governors may wish to provide for a discretionary fund, which will normally be administered by the Head.

8.7.2 If such a fund is established, it should be budget limited. It is also recommended that, in order to protect its administrator from any allegations of improper use, the application of the fund be reported to an Awards Committee such as that described in 8.4.2 above.

8.8 Composition Fees

Some parents may wish to offer a lump sum to pay fees for a number of years in advance, and to seek a discount equivalent to the level of interest foregone. These are commonly known as Composition fees, and it is for Governors to agree with their Bursar acceptable terms in such circumstances. However, all such arrangements carry a high risk of money laundering, and should be carefully reviewed in light of the school's Anti Money Laundering policy and procedures (see 8.11.2).

8.9 Invoicing fees

8.9.1 Fees for boarding and tuition are schools' principal source of income, and it is of paramount importance that these fees are billed in a timely fashion as any delay can lead to a significant impairment of cash flow. Fees should be billed termly in advance. It is recommended that invoices be issued to parents one month before payment is due.

8.9.2 Terms of payment should be either;

-In full by the first day of term, or

- by direct debit

8.9.3 When invoicing any income (fees, extras, lettings etc), schools should bear in mind that from January 2018 the government has banned any surcharges from credit/debit cards or paypal being added on to the customer's invoice. Thus, consideration should be given to correct pricing before offering these payment methods, and some schools have chosen not to use them for income at all.

8.10 Direct Debits

8.10.1 Monthly direct debits are an increasingly popular form of payment with parents, particularly with those paying fees out of income. They are a method of advancing cash flow and are also an aid to credit control, as a single missed payment gives an early warning of a potential problem.

8.10.2 However, allowing a parent to pay termly fees in monthly instalments rather than at the start of the relevant term when the fees fall due is a form of credit and risks MIST entering into a regulated credit agreement. If this is undertaken without the appropriate permission from the Financial Conduct Authority (**FCA**), MIST is at risk of committing a criminal offence under the Financial Services and Markets Act 2000 (**FSMA**). As MIST is not authorised by the FCA to enter into regulated credit agreements, Schools can only enter into direct debit arrangements with parents on the basis of an exemption described in Clause 8.10.3.

8.10.3 There is an exemption available (the **Instalment Exemption**) which allows a School (as a part of MIST) to enter into an agreement with a parent to defer the payment of future fees without committing an offence under FSMA enabling payment in instalments. To rely on the Instalment Exemption certain conditions must be satisfied. As such, a School that wishes to allow parents to pay each term's fees in instalments by direct debit must comply strictly with the following:

- the School must agree in writing with the relevant parents that future fees can be paid in instalments, preferably by direct debit;
- each term's fees must be a separate agreement for payment and the School must therefore issue a separate invoice for each term's fees (rather than each academic year);
- the written agreement must set out the amount of each term's fees that is to be deferred and the anticipated schedule of instalments for that term. The sum to be deferred must be a fixed amount;
- the agreed amount deferred for each term should be paid in not more than four instalments (unless otherwise agreed in writing by the School and, if a higher number of instalments is agreed, this number must under no circumstances exceed 12 instalments); and
- the School must not apply any interest or administration charges to the fees that are being paid by the parent in instalments.

8.10.4 The onerous regulatory requirements that apply to regulated credit agreements only bite if a School agrees to extend credit to a parent. If a parent has defaulted and unilaterally takes credit by paying off amounts as and when they can and there is no agreement in place with the School (whether orally or written) allowing the parent to take time to pay the fees owed, then the School is not providing credit. In such circumstances the School's default provisions under the parent contract can be applied, including the application of late payment interest.

8.10.5 There is no obligation for the School to take action against a parent in default and the School can adopt a "wait and see" approach. For example, where the School reasonably believes that a parent in financial difficulty has a realistic prospect of repaying sums owed, such as after the sale of a property, the School can allow the parent time to pay by taking <u>no</u> action against them. "Taking no action" means that the School must not indicate or confirm to the parent that the School will take no action against them.

8.11 Money Laundering

8.11.1 Money laundering is not only a crime itself, but also a key enabler of other serious crimes such as modern slavery, drugs trafficking, fraud, corruption, and terrorism. MIST schools should be particularly vigilant in this area – firstly to safeguard MIST's ethical reputation, and secondly because Independent Schools are prime targets for money laundering. The Proceeds of Crime Act 2002 (POCA), as amended, creates a range of criminal offenses arising from dealing with the proceeds of crime – including third party offenses like failure to disclose relevant information and tipping off a suspect.

8.11.2 All schools should have an Anti Money Laundering (AML) policy, and ensure that any staff dealing with financial matters have received thorough briefing and training in the Money Laundering Regulations 2017. ISBA has useful guidelines for a policy and procedures on its website, with the salient points being:

- Payment of fees by cash, especially of large sums, should not be permitted (with the only exception being when the security of a pupil is considered at risk from carrying large amounts of cash) A school would need prior registration under the Money Laundering regulations if cash amounts of more than €10,000, either in lump sum or instalments, were to be accepted – and MIST does not consider this appropriate.
- Staff should know, at least in broad terms, where the money they are being given comes from
- If a school suspects that money laundering may be taking place, it can submit a Suspicious Activity 'Report (SAR) to the National Crime Agency. www.nationalcrimeagency.gov.uk . Common red flags include size, frequency or complexity of financial transactions; unusual or anxious behaviour by the payer; payers taking steps to hide their identities; and requests for refunds to a different source.

8.11.3 There are organisations which can offer help with AML compliance, and facilitate international receipts on behalf of schools. Please contact the Group Accountant if you would like any further details

9. Credit Control

9.1 Control of debtors is a key indicator of the financial health of a School. Strong credit control not only improves cash flow, it also demonstrates to stakeholders – including parents – whether or not the organisation is well managed. Whilst many parents will pay fees promptly, there is always likely to be an element who will seek to extend the period of credit for as long as possible, so prompt action should be taken if an account falls into arrear. Time is of the essence.

9.2 Schools should have a clear system for chasing overdue accounts, approved by its Governors. Governors should also agree a general policy on exclusion of pupils in the event of non-payment (that should form a part of the parent contract). It is recommended that Schools assert the right to exclude pupils where fees are more than half a term overdue.

9.3 A suggested procedure for chasing debts is:

- send an informal email/letter requesting payment of the overdue fees within a few days after the payment has become due. This communication should remind parents that, under the terms of the parent contract, the School may apply interest on late payments (if this is the case) and that the pupil risks being excluded from the School if the fees are not paid. The communication should also warn the parents that a formal request will be made if the payment is not received;
- send a formal warning letter three weeks at the latest after payment is due. Again remind the parents of the consequences of the failure to pay and invite the parents to make contact with the School if they would like to discuss any issues relating to the missed payment. If interest is being applied to the late payment this should be made clear to the parent;
- send a second warning letter, within a further 7–14 days after the first, threatening exclusion if payment is still not received and again make it clear if interest is being applied to the late payment; and
- send a third letter, six weeks after the date of the missed payment giving provisional notice of the date the exclusion of the pupil will commence.
- It is strongly recommended that the letters/emails be reinforced by telephone calls at each stage to keep channels of communication open with the parents at all stages of the debt recovery process and to invite the parent to contact the School to discuss their situation.

9.4 It is recognised that there will be occasions where late payment is a sign of genuine financial difficulty. In these circumstances, and where parents are communicating with the School, it is appropriate that they be given sympathetic treatment. Subject to the agreement of the Governors (normally delegated to the Finance Committee) the Head and Bursar should have discretion to deal with parents in this position. However, please refer to section 9.9 Financial Service and Markets Act 2000 below before agreeing on a course of action.

9.5 Schools may wish to provide for an administration charge and/or late payment interest in the event of bills not being paid on time and provision for this must be expressly set out in the contract with the parents/guardians if the School intends to apply them. Late payment interest should be applied at a rate that is not excessively above a UK clearing bank's base rate otherwise it risks being construed as an unfair term and may be unenforceable. Such interest and charges should normally only be recognised on receipt (see 6.4.4). It is recommended that Governors grant to Bursars a degree of discretion in the application of such charges such that the Bursar has the ability to waive the application of interest and/or charges where the circumstances suggest that the parents are experiencing genuine financial difficulty – a balance needs to be found between penalising those who will not pay and being fair to those who have encountered genuine difficulty due to a change in circumstances.

9.6 The level of outstanding debts should be reported to Governors, normally by including debtors as a standing item on Finance Committee agendas, who should consider whether professional action or exclusion is appropriate. When possible, pupils' anonymity should be preserved. Any write offs should also be approved by Governors.

9.7 Schools should not allow parents to build up debts that they will not or cannot pay, and the sanction of exclusion, although a last resort, is one that may be necessary if parents refuse to make payment or reach satisfactory agreement.

9.8 Schools should ensure that where an account remains unpaid, appropriate procedures are in place for the referral of the debt to a third party to undertake professional collection. When professionals such as solicitors or collection agents are used, Schools should seek to ensure that they will uphold the ethos of the School and Group as well as being effective practitioners.

9.9 Financial Services and Markets Act 2000 (FSMA)

9.9.1 The template parent contract requires fees to be paid by parents on or before the first day of term. Any extension of this period is likely to be providing credit to the parents and, as a result, the School may be deemed to be entering into a regulated credit agreement with the parents as lender. The Financial Conduct Authority (FCA) regulates those who enter into regulated credit agreements as lender and, unless the agreement made with parents falls within an available exemption under the Regulated Activities Order (SI 2001/544) (RAO), authorisation will be needed from the FCA. MIST does not have this authorisation and without FCA authorisation, members of staff risk a fine or possible imprisonment or both by entering into such arrangements. There is one relevant exemption under the RAO which can be used by Schools. This exemption applies to credit agreements where there is no interest or other charges, and the amount must be paid within 12 months and in not more than 12 instalments. Conditions apply to this exemption and expert advice must be sought from the MIST Group Accountant if this solution is to be relied upon. **As the legal entity, it is MIST which would need to obtain authorisation from the FCA. Schools cannot obtain FCA authorisation individually, only as part of MIST.**

9.9.2 Where a School refers parents to an external source of credit, the School may be carrying on the regulated activity of credit broking. This activity also requires the School to have the appropriate permission from the FCA, although potentially only a limited permission is required. As for entering into regulated credit agreements the penalty for carrying out the activity without FCA authorisation is a fine or imprisonment or both. There are a limited number of external credit providers to whom the School may refer parents. When making such a referral, the School must consider whether this amounts to credit brokerage. **Guidance from the MIST Group Accountant must be sought before schools make any such referrals.** See Section 9.10 below.

9.9.3 Where a charge is taken over property by a School to secure a payment, this is likely to be a regulated mortgage contract and brings the particular agreement within scope of the onerous regulated mortgage rules. Authorisation from the FCA is required to enter into regulated mortgages and the penalty for doing so without authorisation is a fine, imprisonment or both. **Neither MIST nor the Schools have permission to enter into regulated mortgages therefore no charges should be created by Schools as a matter of course.** Under UCM, only MIST could so apply for authorisation. Schools are expected to pursue debt in line with the terms set out in the Financial Procedures Manual and should not be allowing parents to build up large levels of debt which they can't afford. There may be exceptional cases where it may be possible to take security "not by way of business" and Schools should contact the MIST Group Accountant before taking such a step to determine whether an individual case meets the tests for this. If a School uses debt collection agencies, these should be FCA authorised and the debt collection agency can take action in line with their own authorisation. Schools can also take action in cases where a Court Order has been obtained granting such action.

9.10 Credit Broking

9.10.1 See Section 9.9.2 above.

9.10.2 The Regulated Activities Order provides that credit brokerage includes:

- "*effecting an introduction of an individual*" (in this context parents) who "*wishes to enter into a credit agreement to a person "P"* (in this context a third party provider) *with a view to P entering into by way of business as lender a regulated credit agreement…*"
- "*effecting an introduction of an individual*" (in this context parents) "*who wishes to enter into a credit agreement*" to a credit broker.

9.10.3 The School does not have to be paid for effecting an introduction to a lender to be caught by the credit broking activity.

9.10.4 Merely advertising credit services is not brokerage. So the grey area for Schools is around determining when "advertising" ends and "brokerage" begins. Schools are able to make the services of third party credit providers generally known to parents provided that the School does not go beyond "merely advertising" the third party's credit service.

9.10.5 There is little guidance on where the boundary between advertising and broking is crossed but if the only thing a School is doing is including the third party provider's flyers and relevant information on the school reception desk, or in a general information pack sent to all parents (as a matter of routine and on a completely indiscriminate basis), this is likely to be considered "advertising" and MIST will not need to be authorised by the FCA. However, providing a "click-through" to a creditor's website from the School website may be a material consideration as to whether broking is involved and Schools should not include such links without MIST's prior approval.

9.10.6 Specifically introducing parents who want (or have expressed an interest in wanting) "to enter into a credit agreement" to a provider will almost certainly amount to brokerage and mean that MIST or an Acquired School is likely to require authorisation from the FCA. As such, if a parent specifically asks the School for information about school fee credit providers the School should keep a record of the request and the information that the School provided to the parent. MIST will use this information to keep under review whether it appropriate to seek authorisation for credit broking from the FCA. FCA authorisation for credit broking is less onerous than for other credit related regulated activities.

10. Other income

10.1 Pupil Extras

10.1.1 Schools may bill additional educational activities and other additional costs incurred as “pupil extras”. Provided that these costs are closely related to education they are deemed to be exempt supplies for VAT purposes and should be billed by the School. Further details of what does and what does not constitute “closely related” is given in the VAT section of this manual – see Section 18 below.

10.1.2 Schools should ensure that their local procedures include systems for ensuring that the Bursary is notified of all extras to be charged to pupil accounts. These procedures may vary according to the nature of the activity. It is important that those who are responsible for activities that will give rise to additional fees have clear instructions as to their duties in this respect.

10.1.3 Where an additional activity gives rise to costs that are to be recharged, it is recommended that a named individual be responsible for reconciling the income and costs arising from it. The Bursary should ensure that this individual is provided with adequate and timely information from the accounting system to facilitate this task.

10.2 Lettings

10.2.1 Schools are encouraged to utilise their premises and facilities for income generation and community use, in both holiday periods and term time, provided that in doing so neither the School's ability to carry out its primary educational purpose nor the reputation of the School or MIST is prejudiced.

10.2.2 It is recommended that charging rates be reviewed on an annual basis by schools' Finance Committees.

10.2.3 Lettings should only be made by the School if it is the letting of property or a room with no other service provided. Lettings which include services (such as catering) should be made by the trading subsidiary (see Section 17 below). Guidance on exempt and taxable lettings is contained in Section 18.9.

10.2.4 The Bursar should ensure that any licenses required for lettings (or other events held on school property) have been obtained and are up to date.

10.2.5 Each Trust School enterprise company will need to have a licence in place from MIST enabling it to make use of the School's intellectual property and assets in its activities. Each Acquired School enterprise company will require a licence from its School.

11. Purchasing

Schools should aim to achieve the best value for money from all purchases. This means obtaining the correct quality, quantity at the best possible price and time.

11.1 Requisitions and orders

Each School should establish purchasing procedures appropriate to its organisational structure that ensure that:

- Orders are placed only by approved budget holders.
- Budget holders are aware of their purchasing limits and are not permitted to exceed them without senior management approval. Budget holders should receive regular reports of their year to date spending against budget.

- Appropriate tendering procedures are followed to ensure best value for money is obtained. Purchases should be made from an approved list of suppliers. If a budget holder considers that better value for money can be obtained by ordering from a supplier not on the approved supplier list the reasons for this decision should be discussed and agreed with the Bursar.
- Due regard is given to MIST's Modern Slavery Policy and Statement (available on the MIST website). MIST has a zero tolerance policy in this regard within its own business and throughout its supply chains. This must be communicated to all suppliers, contractors and business partners at the outset of business relationships with them, and reinforced as appropriate thereafter.

11.2 Purchasing limits

It is for School Governors to set limits appropriate to their situation and structure.

By way of guidelines, the following limits are suggested:

- *Routine purchases of up to £2,500 plus VAT:* May be ordered by budget holders, provided that the order is within the budget holder's overall limit. A quote or price should always be obtained before any order is placed. The authorisation of the Bursar should be required if the budget holder's limit has been or would be breached.
- *Orders between £2,500 - £25,000 plus VAT:* May be authorised by the Head or Bursar if within a previously approved budget, otherwise to be approved by the Governors' Finance Committee. Unless a preferred supplier is used, at least three written quotations should be obtained to identify the best source of the goods/services.
- *Orders over £25,000 plus VAT:* To be the subject of formal tendering procedures, as set out below, and to be approved by the Governors' Finance Committee.
- *Orders over £50,000 plus VAT:* to be approved by full Board of Governors.

11.3 Preferred Suppliers

As an aid to efficient purchasing, it is recommended that Schools consider appointing preferred suppliers for an agreed range of goods or services. In such instances, the range and prices of supplies covered should be agreed after a tendering process, with retendering being carried out after a predetermined period.

12. Tendering

12.1 Tendering Procedures

12.1.1 *Preparation for Tender*

Full consideration should be given to the overall objective, the technical skills required, after sales service requirements and the form of contract. As part of the tendering process consideration needs to be given to:

a. The selection of suppliers to be invited to tender
b. The most appropriate tender strategy to obtain an agreed price

12.1.1.1 *Selection of Suppliers*

In selecting suitable Suppliers for a tender consideration should be given (among other things) to:

a. Their financial stability
b. Their turnover relative to the value of contract to be awarded
c. Relevant experience/expertise to carry out the contract
d. Their capacity to be able to undertake the work
e. Their willingness to do the work

In selecting Suppliers for a tender the Bursar and the Governors' Finance Committee should consider one of the following options:

- *Open Tender*: This is where the tender is open to all potential suppliers. This can be the most conducive to competition but consideration will need to be given as to how the invitation is advertised. Consideration will also need to be given as to the potential number of tender returns and therefore the capacity to conduct a tender review.
- *Selective Tender Lists – School derived*: This is where a shortlist of suitable suppliers is drawn up based on the Bursar's and Governors' Finance Committee's experience in dealing with the Contractors. In addition, this could also include the experience of outside consultants involved with the School to help select suitable suppliers. Consideration should be given to formally record on what basis suppliers have been deemed suitable to be included on the tender list in order to provide an auditable record.
- *Selective Tender Lists – Pre-Qualification Questionnaires (PQQ's)*: This is where a longer list of suppliers are invited to submit details of their suitability to undertake a contract. PQQ's are then scored and from this the final list of suppliers to be issued a tender is derived. This provides a more detailed auditable approach to the shortlisting of suppliers.

- *Negotiated Tender*: This is where the School negotiates with one supplier for a project. While this approach provides the least competitive approach it may be applicable where:
    a. There is an existing relationship with a supplier and one where they have previously been successful in tenders
    b. Time is of the essence
    c. Where competitive tendering has resulted in no or unacceptable tenders
    d. The work is specialist in nature and where there are not that many suppliers who can successfully carry out the work

12.1.1.2 *Selecting a Tender Strategy*

In selecting an appropriate tender strategy consideration needs to be given (but not limited) to the nature of the contract, the timing of the tender and the amount of time to tender.

There are three basic tender options which should be considered:

- *Single Stage Tender*: Tender documents are submitted to the selected suppliers and they in turn are required to submit a full and final tender response. This is most appropriate where the actual scope of service is known and detailed documentation can be issued at the time of tender. This is the most conducive to competition but does not always provide an opportunity to have a structured dialogue with the proposed suppliers before entering contract.
- *Two Stage Tender*: In the first stage a limited form of competitive tender is undertaken between the shortlisted suppliers. From this first stage one (or sometimes two) suppliers are taken on to the second stage where agreement of the final price is to be reached. This approach (most commonly used on construction projects) can be used where time is of the essence and/or where Schools are looking to engage with suppliers to obtain early specialist advice (typically in construction projects this will be on design and buildability matters) prior to signing a contract. Where one supplier is taken forward to the second stage consideration needs to be given as to how to demonstrate that the second stage price provides value for money.
- *Negotiated Tender*: The tender is submitted to one supplier only and the price is negotiated. Consideration needs to be given as to how to demonstrate that the negotiated price provides for money.

12.1.2 *Invitation to Tender*

An invitation to tender should include (but not be limited to):

- summary/schedule of documents included;
- introduction/background to the project;
- full scope and objectives of the project;
- contact point for communications, queries and the like;
- any specific exclusions (if appropriate);
- technical requirements;
- implementation of the project;
- types of contract and any amendments;
- terms and conditions of tender (including how tender errors are to be dealt with);
- the tender scoring criteria (if more than just price i.e. best value);
- dates and format of potential tender interviews (if required);
- form of tender (which should clearly state that the School is not bound to accept the lowest tender);
- form of response, including date and time by which the completed tender documents should be received; and
- documents to be provided by the tendering supplier e.g. Supplier's Proposals (if applicable).

12.1.3 *Evaluation of Tenders*

The evaluation process should involve at least two people, who should not include anyone with interests, business and otherwise, that might be deemed to impact upon their objectivity.

Full records should be kept of all criteria used for evaluation of the tenders. Aspects to consider include:

- The technical suitability of the contractor – qualifications, relevant experience, technical and service facilities, quality control procedures.
- Details of previous sales and references from past customers.
- After sales service.
- Financial status – suppliers in financial difficulty may have problems completing contracts and in the provision of after sales service. It may be appropriate to examine audited accounts.
- Like should be compared with like and if a lower price means a reduced service or lower quality this must be borne in mind when reaching a decision.
- Care should be taken to ensure that the tender price is the total price and that there are no hidden or extra costs.
- Is there scope for negotiation?

The accepted tender should be the one that is economically most advantageous to the School – this will not necessarily be the cheapest but the one which delivers most all round value to the school. All parties should then be informed of the decision.

For a property tender it is likely that a School will require professional advice to evaluate the tender. Please bear in mind the Domestic Reverse Charge VAT which the government is planning to introduce in October 2020. Our tax advisers are confident that our schools would normally be 'end users' in this regard, and thus not impacted by this VAT legislation However, the point should always be raised and clarified in any construction contract discussions; and advice sought from RSM if there is ever any element of uncertainty.

For contracts such as catering, groundworks or transport, there are opportunities to discuss with fellow Bursars the potential pitfalls in evaluating a tender.

12.2 Receipt of Goods

12.2.1 Goods delivered to the School should be recorded in a Delivery Register. The budget holder should make appropriate arrangements with the site staff for the delivery of goods to the appropriate part of the premises. On receipt the budget holder must undertake a detailed check of the goods received against the delivery advice note and make a record of any discrepancies between the goods delivered and the advice note. Discrepancies should be discussed with the supplier of the goods without delay. After checking, delivery advice notes should be passed to the Finance Office.

12.2.2 If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Finance Office should be notified. The Finance Office should keep a central record of all goods returned to suppliers.

12.3 Payments

12.3.1 All invoices should be recorded in the Bursary/Finance Office on receipt. Invoices should be processed to ensure that:

- goods/services agree to authorised order;
- goods/services have been received;
- prices and calculations are correct;
- invoice is correctly coded;
- invoice is posted to purchase ledger;

- payment is authorised;
- payment is made in accordance with terms agreed (note there is a reputational element to payment timescales for MIST. Schools should discuss with the Business Director any factors that cause them not to pay within agreed timescales).

12.3.2 In the event of any query in this process the budget holder should be consulted. The Bursar should be advised in the event of a query requiring any resolution that has not already been authorised.

12.3.3 Payments should only be made against original invoices or verified copies and not against statements alone.

12.4 Staff expenses

12.4.1 Staff should be reimbursed only for expenses properly incurred in the course of their duties. Staff should be advised to obtain prior authorisation in cases of any uncertainty or when the amount involved is significant.

12.4.2 It is recommended that HMRC approved mileage rates be used for car travel, with car sharing when practicable. Public transport should be used when it is efficient to do so. Standard fares should be taken unless there is a demonstrable benefit to first class travel (e.g. enabling work to be performed on a longer journey). Advantage should be taken of discounted fares when feasible, and all journeys booked as far in advance as possible and at an advantageous time of day to take advantage of the best fares. ‘Timed’ rail tickets are always significantly cheaper than open tickets, so these should be booked wherever possible (even if only one of the legs, outward or inward, can be booked as a ‘timed’ ticket).

12.4.3 Reasonable refreshment costs including meals should be paid only on the production of actual receipts.

12.4.4 If two staff members are travelling or incurring refundable costs together, the more senior of the two should incur and reclaim any joint expenses to ensure propriety.

12.4.5 If any school staff are required to attend MIST meetings or events, MIST will meet the cost of all travel expenses. In some cases when only one day’s travel is not possible, MIST will also meet all reasonable costs for an overnight stay.

12.4.6 Other than in exceptional circumstances, expense claims should be submitted monthly, and authorised by the staff member's line manager and budget holder if different. Heads' expenses should be authorised by the Chair of Governors. Bursars' expenses should be authorised by the Head. Payments should be made directly into bank accounts rather than out of petty cash unless the amount is insignificant.

12.4.7 Following the abolition of P11D dispensations from 6 April 2016, employers are responsible for monitoring expenses and reporting/taxing them accordingly, if not exempt. Schools should ensure that monitoring arrangements enable the identification of taxable benefits.

12.5 School Trips

12.5.1 School trips should be authorised by the Head, unless initiated and led by the Head in which case the Chair of Governors should be the authorising party.

12.5.2 Accounting for funds for school trips should be carried out by the Finance Department in line with normal accounting practices including the requirement for receipts to support expenditure. All expenditure must be accounted for.

12.6 Credit/debit cards

12.6.1 School credit cards may be issued to a limited number of staff with the approval of the Governors' Finance Committee, who should also approve card limits. It is not recommended that debit cards be issued to school staff as these provide less protection against misuse.

12.6.2 Cards should only be used for expenses properly incurred in the course of the holder's duties. Receipts should be retained whenever possible (not just the card transaction record) and attached to monthly statements. Any accidental private use should be refunded to the school before the end of the next card billing cycle.

12.6.3 Monthly statements and receipts should be subject to the same monthly review process as that described in 12.3 above.

12.6.4 Any credit cards issued should not permit cash withdrawals.

12.6.5 As noted under 12.4, Schools should ensure that monitoring arrangements for costs incurred on credit cards enable the identification of taxable benefits.

12.7 Capital expenditure

12.7.1 Capital expenditure should be subject to the same budgetary and authorisation controls as other purchasing.

12.7.2 The consent of MIST is required for capital expenditure on an individual project in excess of £100,000 where this has not been already given as part of the budget approval process.

12.7.3 Any expenditure financed by operating lease should be subject to the authorisation limits applicable to the total cost of the project. Finance leases and hire purchase agreements constitute loans – section 15.3.7 refers.

12.7.4 In order to return the MIST reserves and borrowing to a healthier level, a new Capital Expenditure Policy has been introduced from 1 September 2019 which will link the capital expenditure of schools to the level of their sustainable annual earnings. Three tiers are now in place which cap the level of capital expenditure at a school, based on its achievement of the three financial goals set out in 3.1 (calculated using the average of the three previous years' actual outcomes). The percentage would be applied to the previous year's achieved surplus before depreciation:

a. Schools achieving all 3 targets – 70%
b. Schools in surplus but not achieving all 3 targets – 30%
c. Schools in deficit or with negative general reserves* – 10%

**this calculation will be determined by the previous year only rather than a 3 year average. Schools falling into this category can apply to the Business Director for a higher minimum capital allowance to facilitate normal school operations if necessary.*

12.8 Group purchasing

12.8.1 Financial services, including banking, insurance and audit are purchased centrally by MIST.

12.8.2 There may be opportunities to extend group purchasing to other products and services. These may be initiated either locally or at group level. Where schools see an opportunity to extend a purchasing arrangement for the mutual benefit of some or all of the schools, they are encouraged to do so, in consultation with other Bursars and MIST's Business Director.

12.8.3 Schools should also investigate any local or regional opportunities for group purchasing, with other schools or consortia.

13. Staff

13.1 Staff Appointments

13.1.1 Staff costs represent the largest expense in any school, and the recruitment of any member of staff is a major financial commitment that once undertaken cannot easily be terminated. For these reasons, the governing body should approve the overall personnel establishment for the school. It is recommended that the establishment be the subject of annual review, which should take into account any projected changes to the size and operation of the school contained within its Development Plan.

13.1.2 Heads are appointed by the School with the assistance of and advice from MIST Executive and/or Trustees. Bursars should be appointed by the Governors with assistance from MIST's Business Director. The Head and MIST's Business Director should form part of the appointment panel. Heads of any junior sections of the School and Deputy Heads should be appointed by the Head in consultation with the governing body. The appointment of Chaplains rests with the Head and the Chair of District.

13.1.3 Other appointments are generally delegated to the Head or the Bursar, who may be authorised to appoint staff within the approved overall establishment. Appointments beyond the approved level should only be made with the express approval of the Governors or a delegated committee.

13.2 Payroll Administration

13.2.1 Schools should establish a system for maintaining personnel records and ensuring references, DBS checks etc. are carried out and recorded and terms and conditions of employment and contracts are kept up to date. This may be the responsibility of the Bursar or of another designated officer. The system should ensure that all changes are notified to this officer in a timely manner.

13.2.2 Salary scales and allowances should be authorised by the governing body. Where members of staff are placed on a scale, the point and range should be approved by the Head or Bursar. MIST abides by the expectation of all Methodist-related organisations of paying at least the foundation living wage (currently £9 per hour).

13.2.3 The Head's remuneration should be reviewed annually in line with MIST's policy. The pay of SMT members should be reviewed annually by the Governors' Remuneration Committee.

13.2.4 It is recommended that all staff be paid monthly with payments made directly into the employees' bank accounts. Approved payroll software should be used, with access limited to authorised personnel.

13.2.5 Schools should have an appropriate system for recording and monitoring sickness and other absences and any overtime payable.

13.2.6 Monthly payrolls should be reviewed and authorised by the Bursar or another designated officer who is independent of the payroll preparation process.

13.2.7 Note that the Government's extension of the IR35 and Off Payroll Working rules to the private sector will be applicable to MIST from 1 April 2020. For every worker supplying labour or services who is not on the school's payroll, the school – as the end user of the services - will need to decide whether an employment relationship exists. If it does, the school will need to provide the worker or intermediary they work through (eg Personal Service Company or Agency) with a Status Determination Statement. Depending on the circumstances, either the school or the intermediary will need to reflect that person as an 'off payroll worker' on their payroll, and deduct PAYE, NIC and Apprenticeship levy as required. HMRC has the Check Employment Status for Tax (CEST) service to help organisations determine whether off-payroll working rules apply.

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

In order to prepare for these changes, schools will need to review arrangements with all workers who are not currently paid through the payroll and liaise with them on the above. Systems will need to be set up to assess all future off-payroll arrangements before anyone is paid by invoice as self 'employed'.

14. Investments

14.1 Any investments held by Schools on MIST's behalf as unrestricted funds should be for a specific purpose. It is mostly likely that such investments will form part of a bursary fund.

14.2 MIST’s investment policy for investments under its direct control is to maximise total return. Schools are asked to follow this policy unless there are compelling reasons otherwise, in which case an alternative approach should be discussed with MIST’s Business Director.

14.3 Investments may be held by Schools on MIST's behalf as the result of bequests. These will normally be held as restricted funds and in such instances the policy should also take into account any conditions attached to the bequest. Where Schools have established a Foundation Trust, it is likely that these funds will be held in this Trust.

14.4 A register of investments should be maintained containing sufficient detail to meet SORP disclosure requirements. The information required will normally be a description of the investment and the dates and value of purchases, income and disposals. A record of the market value of quoted investments at each year end should also be maintained.

15. Loans

15.1 Schools cannot enter into any security agreements directly as only MIST Trustees are able to grant security over MIST assets.

15.2 MIST Finance Committee will not authorise a loan which leads to a negative General Reserve for a School.

15.3 Loans for Development

15.3.1 Schools requiring a loan for development purposes should apply to MIST’s Finance Committee. The loan application should be approved by the local governing body before being presented to MIST.

15.3.2 The School will prepare a full business case for submission to MIST’s Finance Committee together with a standard MIST Loan Application Form (see Appendix 4) designed to ensure that Trustees receive information in a consistent manner. MIST’s Finance Committee will review both the School’s business case and the application form when making its decision. Schools will be invited to present their case at the MIST Finance Committee meeting.

15.3.3 MIST’s Finance Committee will consider the merits of the proposed project as part of the School’s overall development plan and will want to be satisfied that it is consistent with sound business principles and in the best interests of the School and

MIST. It will want to ensure that risk factors have been properly evaluated, that the plan includes adequate provision for contingencies and that free reserves are forecast to be adequate (at least positive) during the course of the project. Appendix 5 sets out MIST's Loan Protocols, which it will expect Schools' to be able to satisfy. Schools should follow these protocols on any capital project, whether or not they require a loan from MIST.

15.3.4 The level of loan that may be approved and its repayment terms are at MIST's discretion. By way of guidelines, the aggregate level of loans will normally be limited to 25% of annual Gross Fee. The repayment terms will depend upon the nature of the development but the usual term will be 10 years with a straight line amortisation with termly repayments. A loan for an individual project will normally be limited to 50% of the overall project with a School being expected to fund the remaining 50% from its own cash.

15.3.5 The funds from approved loans will normally be released in three stages:

- Design;
- Construction (less retained retention);
- Release of retention.

The Loan Protocols set out the requirements in more detail.

15.3.6 Loans will bear interest at a rate which can be varied at the discretion of MIST. The current rate of interest for development loans is 0.75% above the cost of borrowing to MIST (currently Bank of England base rate of 0.75% + HSBC bank margin of 1.75%).

15.3.7 Schools may occasionally wish to enter into loans, including finance leases or hire purchase agreements, with external parties. Since such loans could impact the Group's overall debt structure and security arrangements, no such agreement should be entered into without first having received the approval of MIST's Business Director and MIST's Finance Committee. Only in exceptional cases will agreement be given.

15.3.8 Due to the nature and size of all loan transactions, they should always be dealt with by the bursar or most senior finance officer at the school, and not delegated to more junior members of the school's finance team.

15.4 Loans for Working Capital

15.4.1 Loans for working capital will only be provided in exceptional cases and the rationale and need for such a loan must have been discussed and agreed with MIST's Business Director before any application is made to MIST's Finance Committee.

15.4.2 A Loan Application Form will need to be submitted to MIST's Finance Committee in the usual manner, and this will need to demonstrate how the School plans to return to financial performance levels which meet MIST's policy requirements for financial sustainability within a period of time acceptable to MIST.

15.4.3 MIST reserves the right to vary its standard terms for loan repayment and interest for a loan for working capital purposes. The current rate of interest for working capital loans is 2% above the cost of borrowing to MIST (currently Bank of England base rate of 0.75% + HSBC bank margin of 1.75%).

16. Reserves

16.1 The net asset values of the group's charities are represented by their reserves. These reserves are allocated between different "funds". At the broadest level funds will be either restricted or unrestricted.

16.2 General Fund

The Charities SORP provides for the value of functional fixed assets to be identified in a separate designated fund. MIST's policy is therefore to exclude the value of land and buildings net of loans from the General Fund and instead to show it in a separate Property Fund as described at 16.5 below. Schools' General Funds should therefore represent the value of their free reserves.

16.3 Reserves Policy

16.3.1 Charities are required to have a policy on the level of reserves that they hold. This level should not be too low, as trustees should act prudently and carry a reasonable level of reserves for contingencies and for working capital. However, charities are also required to avoid carrying excessive reserves, as to do so would conflict with their charitable objects.

16.3.2 Taking into account Charity Commission guidance, MIST has reviewed the level of reserves that it is appropriate for MIST to hold. In so doing, it has considered the likelihood of financial risks and also mitigating factors including the group structure and the group's ability to borrow.

16.3.3 MIST considers the optimum level of General Reserve to be held at present to be the equivalent of six weeks' expenditure. This broadly equates to 10% of Total Income, with 5% to be held at school level and 5% centrally. Schools are advised to operate with free reserves of between 0% and 10% of Total Income.

16.3.4 Where a School anticipates that its General Reserve might become negative it must advise MIST's Business Director immediately and prepare a plan to return to a positive General Reserve at the earliest opportunity. Schools should not plan for a negative General Reserve to support capital expenditure – this would not be a financially sustainable approach.

16.4 Designated Funds

It is permissible to hold reserves above the recommended levels, provided that they are held for a specific purpose. Examples of appropriate purposes are a Bursary Fund or a Development Fund for a future capital project. However, if a School has insufficient reserves (defined as a deficit on its General Fund) it is recommended that such funds be de-designated, unless the deficit is temporary.

16.5 Property Fund

In line with the Charities SORP guidance on functional fixed assets, MIST's policy is to exclude the value of land and buildings from the General Fund and show it instead in a Property Fund, which is classed as a designated (unrestricted) fund. The value of this fund may be reduced by the extent to which a School has freed up this reserve by borrowing, and the value of the Fund is therefore calculated as being the net book value of land and buildings, less the value of any outstanding loans.

16.6 Restricted funds

Restricted funds are those whose use is limited to a purpose more narrow than the general objects of the charity. This restriction may arise either at the explicit direction of a donor, or be implied by the terms of an appeal. Examples of restricted funds are therefore a Bursary Fund where a donation has been received stipulating that this is to be its use, or a Development Fund that results from an appeal for a specific purpose.

16.7 Endowment Funds

An endowment fund is a class of restricted fund, and arises when a capital donation is received and there is no power to convert the capital into income. Any desire to release funds from an endowment' and which would require the consent of the Charity

Commission must receive the prior approval of MIST's Finance Committee before being pursued.

17. Trading Subsidiaries

17.1 Each school has a trading subsidiary. Most of these are known as [School Name] Enterprise Company Limited. The purpose of the trading company is to provide a vehicle for trading that is not 'primary purpose' or ancillary to 'primary purpose', i.e. not the provision of education.

All profits of the companies are Gift Aided to MIST in order to avoid an exposure to Corporation Tax on profits arising. The funds generated by each Enterprise Company will be retained at MIST for use by the specific school. In practice, the funds will be transferred into the MIST bank account held in the name of and operated by the relevant school. Gift Aid payments should be paid to MIST (the School) within nine months of the end of the financial year, which would be 31 May.

17.2 The enterprise companies are deemed to be trading subsidiaries by virtue of ownership and common control. The shares of the Enterprise Companies of the Trust Schools are held by MIST. The shares for the Enterprise Companies of the Acquired Schools will be held by the Acquired School. It is not necessary for all Governors of the School to be Directors; it is suggested that members of the Finance Committee fulfil this role as its meeting is the natural forum for consideration of the company's affairs. The Charity Commission additionally recommends that at least one director of the Enterprise Company is not a Governor of the School.

17.3 Day to day financial management of the company should be a responsibility of the Bursar, including control of its bank account, book-keeping and accounting. The financial controls and procedures of the school should apply equally to the enterprise company. Operational and commercial management may be delegated to colleagues. The Bursar is responsible for the preparation of annual statutory accounts for the company, which should then be consolidated into the annual accounts of the school. It is also recommended that management accounts of the company be prepared at least termly and presented to the Governors' Finance Committee.

17.4 The following are activities that should be processed through the Enterprise Company:

- the letting of boarding accommodation, together with catering;
- The letting of sports facilities;
- The hire of facilities for weddings; and

- Any other activity which is not considered ancillary to the provision of education for pupils.

17.5 All Enterprise Companies are registered for VAT as part of a single group VAT registration, together with MIST. The Bursar is responsible for ensuring that VAT returns are completed on time and submitted to MIST for inclusion in the MIST group VAT return.

17.6 It is recommended that costs are not recharged by a School to the Enterprise Company if those costs relate to the charitable activity being undertaken by a trading subsidiary.

17.7 Care should also be taken not to enter into any arrangements where either the third party or the activity itself would cause reputational risk for the School. For example, an arrangement with an alcoholic drinks or a gambling related company. If in any doubt about what activities might cause a reputational risk, please refer to MIST's Business Director.

17.8 The entire annual profit of the company is gifted to the School subject to complying with the company law rules on distribution by companies to their shareholders. Profit in this connection is the taxable profit; in most cases this will be the same as the accounts profit but the group's tax advisors (who are our auditors) will advise the amount to be paid. It is a requirement of tax law that the amount to be gifted is actually paid by the company to the school within nine months of the year end, i.e. by 31 May of the following year – a book entry alone is insufficient. Failure to make actual payment may result in the company suffering an irrecoverable tax liability.

17.9 Care should be taken to ensure that any income generating schemes which do not fit ideally into the Enterprise Company should be discussed with the Group Accountant in order to avoid the risk of exposure to Corporation Tax. As MIST is treated as a single entity for most legal and statutory purposes, any non-primary purpose income in the schools will quickly accumulate and exceed the Group's de-minimus tax threshold (eg renewable heat incentives, feed-in tarrifs etc).

18. Value Added Tax

18.1 With effect from 1 September 2017, MIST was registered for VAT together with all the Enterprise Companies in a VAT Group. The Schools are responsible for providing MIST with the information needed to complete the VAT return but in practice will send it electronically to RSM. The Schools will also need to provide the VAT return information for the Enterprise Companies. So, in practice, two VAT returns will be prepared by each School, one for the School and one for the Enterprise Company.

18.2 RSM has been appointed to prepare the returns from the information provided by MIST and the Schools. RSM will make contact at the VAT period end to request the completion of proforma VAT returns in good time prior to the due date. RSM will consolidate the individual proforma returns for submission to HMRC by MIST.

18.3 RSM provides a help desk for MIST and the Schools to deal with any queries or issues which arise in respect of VAT. The key people to contact at RSM for this support are as follows:

Steve Hodgetts (Partner)
Tel: 0121 214 3138
Email: steve.hodgetts@rsmuk.com

Gillian McGill (Associate Director)
Tel: 01284 772958
Email: gillian.mcgill@rsmuk.com

18.4 HMRC's Making Tax Digital overhaul has begun across all VAT registered entities. MIST's registration under this scheme has been deferred as a complex group, but the key dates to bear in mind are:

- Nov '19-Feb'20 VAT quarter – required to be submitted via an API to HMRC. RSM will assist with a temporary solution from this return onwards;
- Nov'20-Feb'21 VAT quarter – required to be submitted via an API through fully compliant finance software containing automatic links throughout and no human intervention.

RSM will perform an extensive review of the current VAT return process, and recommended changes to ensure our systems are compliant with the new regime. The required functionality is also being included in the specification for a new or updated Finance System.

18.5 VAT is a complicated area for schools. It is important that the advice in this manual is followed closely, as failure to adhere to HMRC guidance could lead to a significant liability not just for a single school but for the group as a whole. In any cases of uncertainty, as noted in 18.3, Schools should contact the RSM help line, or seek advice from MIST's Group Accountant if the issue cannot be dealt with by the RSM help line.

18.6 The principal rule is that the education provided by MIST and its Schools is exempt from VAT. In addition, activities that are classed as "closely related" to education are exempt. Other activities will constitute taxable supplies unless they qualify for another exemption. Depending on their nature, lettings may or may not qualify for an exemption.

18.7 The two main areas of complexity that schools are likely to encounter are:

- whether a pupil extra is "closely related" and therefore exempt or "ancillary" and therefore taxable; and
- whether a letting to an outside party is exempt or taxable.

Further advice on these areas is given in the following sections.

18.8 Extras – Closely related or Ancillary?

18.8.1 In general terms, "closely related" refers only to goods and services that are for the direct use of the pupil and necessary for delivering the education to that person. HMRC have confirmed that the following are deemed to be "closely related" for VAT purposes:

- accommodation;
- catering;
- transport;
- school trips;
- field trips;
- where extra lessons (including sports coaching) are given by or on behalf of the school.

18.8.2 Extras that are not "closely related" will normally be subject to VAT. Such activities include:

- supplies to staff and visitors;
- sales from shops;
- vending machines;
- commission;
- events which are not promoted as fundraising.

18.9 Lettings – exempt or taxable?

18.9.1 The following are exempt from VAT:

- Where the hirer (whether commercial or charitable) is teaching EFL (English as a foreign language).

- Educational lets where the hirer is an ‘eligible body’. An ‘eligible body’ would be a school, college, university or a non-profit making body.
- The hiring of a room for a meeting or conference, without catering except for minimal refreshments. If more substantial refreshments are provided, the whole supply will be taxable; and
- The letting of sports facilities which benefits individuals taking part in sport (the let would be taxable if the hirer was a commercial body hiring the facility with a view to making profit).

18.9.2 Most lettings will be through the Enterprise Companies and the contracts should correctly reflect these arrangements.

18.10 Reverse charge services – Foreign Commissions

18.10.1 Payments to overseas agents will normally be made by the school. The school must self-account for a VAT charge on these payments (value x 20% VAT). The VAT is payable as output VAT and must be declared on MIST’s VAT return in Box 1. It is not recoverable as input VAT.

18.10.2 If the agent is located in the UK, the above procedure is not necessary as the agent must adhere to the UK VAT regulations and charge the school VAT on the invoice.

18.10.3 All other services purchased from overseas should be reviewed for the likelihood of a reverse charge VAT liability, and RSM contacted with any queries.

19. Other Taxes

19.1 Liability to Corporation Tax

As a charity that is not in business to make a profit, MIST and the Trust Schools that are housed within it should not be liable to Corporation Tax, provided non charitable activities are not carried out. However, Corporation Tax returns or demands to complete a return may be received from time to time. At present, these are handled by RSM on our behalf, and any such returns or demands should simply be forwarded to the appropriate tax manager.

19.2 PAYE and benefits in kind

19.2.1 All School employees are subject to the normal rules relating to the deduction of income tax and national insurance from salaries under the PAYE system, and the annual declaration of expenses and benefits (forms P11D). Schools may also be subject to HMRC inspection.

19.2.2 Care should be taken to ensure that all expense payments comply with HMRC guidance. As each School is separately registered for PAYE purposes (MIST is not registered as a group in this regard), each School should apply to its local inspector for a Dispensation to cover routine business expenses.

19.2.3 Where members of staff are provided with residential accommodation a benefit in kind will arise unless the employee qualifies for exemption which will cover the rent and council tax element only and not utility bills. In general terms, it will be necessary to show that the provision of accommodation is either necessary or for the better performance of duties. Any Schools requiring additional guidance should contact MIST's Group Accountant in the first instance.

19.2.4 Schools should take care when engaging anyone on a self-employed basis, such as sports coaches or peripatetic music teachers – see 13.2.7.

19.3 The Energy Savings Opportunity Scheme ("ESOS")

19.3.1 The Energy Savings Opportunity Scheme (ESOS) is an energy assessment and energy saving scheme. The scheme applies to large undertakings and groups containing large undertakings in the UK.

19.3.2 Organisations are required to take part in ESOS if they qualified as a large undertaking on the qualification date (31 December 2018). As MIST met the qualification conditions, all of MIST's UK operations must take part in ESOS. MIST will act as the 'responsible undertaking' ensuring the group as a whole complies.

19.3.3 Qualification means that MIST (and its UK companies) must participate in ESOS and notify compliance to the Environment Agency by the last date of each compliance period ('the compliance date'). The next Compliance Date will be 5 December 2019.

19.3.4 Compliance: It is likely that an ESOS Assessment will be carried out. This will require the total energy consumption to be measured in a common unit, which can either be an energy unit (such as kWh) or energy spend in pounds sterling. Total energy consumption includes all input energy use, e.g. buildings, industrial processes and transport with vehicles the entity owns or controls:

a. Under ESOS, energy is defined as all forms of energy products, including: combustible fuels, heat, renewable energy and electricity. There are no fuel type exemptions in ESOS.
b. Total energy consumption is calculated over a reference period of 12 consecutive months. The reference period must include the qualification date and end before the compliance date. The reference period should be the same 12 month period for all energy supplies.
c. After calculating the total energy consumption, assets and activities that amount to at least 90% of total energy consumption must be identified. These are areas of significant energy consumption and comprise the assets and activities that will be audited.
d. All areas of significant energy consumption must be covered by ESOS-compliant energy audits, unless there is in place:
    i. ISO 50001 certification, or
    ii. Display Energy Certificates (DECs), or
    iii. Green Deal Assessments (GDAs).
e. Carry out an ESOS-compliant energy audit/assessment which must, so far as reasonably practicable:
    i. analyse energy consumption and energy efficiency, through energy consumption profiling;
    ii. identify any way in which energy efficiency can be improved;
    iii. recommend practical and cost effective energy saving measures;
    iv. identify the estimated costs and benefits of any energy saving opportunity;
    v. be based on site visits (although not every site will need to be visited).
f. A Certified ESOS Lead Assessor will need to be appointed to check that the assessment meets ESOS requirements. The Lead Assessor (Aardvark for MIST) must be specified when notifying the Environment Agency of compliance with ESOS. The Lead Assessor must review the ESOS assessment to consider whether it meets the requirements of the scheme, regardless of their involvement in the work undertaken for the ESOS assessment.
g. One or more board level directors from the participant group must review the findings of the assessment and confirm that they:
    i. have reviewed the recommendations of ESOS assessment or alternative routes to compliance (e.g. Display Energy Certificates);
    ii. are satisfied, to the best of their knowledge, that the organisation is within the scope of the scheme;
    iii. are satisfied, to the best of their knowledge, that the organisation is compliant with the scheme;

iv. are satisfied, to the best of their knowledge, that the information provided in the organisation's notification is correct.

h. Make a notification of ESOS compliance online. All ESOS participants will have to notify the Environment Agency that they are ESOS compliant by the next Compliance Date, 5th December 2019. Notification is made through the on-line notification system.

19.3.5 Non-compliance: Although ESOS is not a tax and even the adoption of the energy saving measures identified as part of the assessment is absolutely not mandatory, failure to comply with the scheme requirements may result in severe penalties. Any School failing to meet the timetable could lead to a penalty being applied. If this situation should arise, any resulting penalty will be charged to the school responsible

19.4 Streamlined Energy and Carbon Reporting ("SECR")

19.4.1 The new Streamlined Energy and Carbon Reporting (SECR) regulations came into effect in April 2019. SECR is the carbon reporting scheme set to replace the Carbon Reduction Commitment (CRC) Scheme. The government wanted to streamline the business energy tax landscape by moving to a system where businesses are only charged one energy tax administered by suppliers, the CCL (Climate Change Levy). The reporting requirements contained within the CRC are replaced by (and expanded upon) by SECR.

19.4.2 Organisations are, however, required to retain records supporting their CRC submissions for 6 years after the end of each compliance year. The summary information is held by Aardvark, but hard copy energy invoices (or scans) will need to be retained at the schools.

19.4.3 Due to its size and energy consumption, MIST as a group needs to comply with the SECR scheme. This requires annual reporting in the statutory Directors Report on energy usage and greenhouse gas emissions, including:

a. All electricity consumption
b. All natural gas
c. All other combustible fuels
d. All transport by means of assets owned or controlled by the organisation

The annual SECR Report will present the group's annual energy consumption, total GHG emissions as well as some useful intensity ratios, a comparison against the previous year's figures (if available), an overview of the energy efficiency measures adopted by the Schools and a methodology section.

19.4.4 Aardvark will continue to assist MIST in collating this information as it did for the CRC scheme. Schools are required to maintain records of consumption and submit monthly data to the Computatis database (www.computatis.com) within 6 weeks of each month-end. For this purpose each school must have appointed an administrator to coordinate its input and to ensure that due dates are met. The information collected dovetails with that required for the ESOS scheme.

19.4.5 One change brought about by SECR is where a landlord/tenant relationship exists. The responsibility for reporting on energy usage has shifted from the landlord to the consumer of the energy (usually the tenant), and schools should bear this in mind where it impacts on their contexts.

19.4.6 The SECR reporting timetable will follow each entity's financial year. For MIST schools this will mean prompt submission of monthly and/or quarterly energy usage as soon as possible after 31 August to allow Aardvark to collate the information in time for the production of the Directors Report. The SECR Reporting Year will henceforth run from 1st September to 31st August.

19.4.7 Schools must maintain evidence files of energy usage. Where possible, records should be primary documents, and summaries alone will not be sufficient. Aardvark will provide guidance to all schools on the types of evidence required.

19.4.8 Schools may wish to obtain an annual statement of consumption from their suppliers to facilitate their reporting. By giving energy suppliers notice on or before 31 August each year they are required by OFGEM (the electricity and gas regulator) to provide a statement of annual consumption within 6 weeks of the period end.

19.5 Apprentice Levy

19.5.1 As MIST's consolidated payroll exceeds £3m pa all of MIST's schools (trust schools and acquired schools), regardless of the size of their individual payroll, will be required to register for the levy. Each school is responsible for the payment of their own apprenticeship levy contributions and this should be paid to HMRC on a monthly basis along with tax and National Insurance contributions. Due to the nature of our organisation the Annual Levy Allowance is only applicable once to the group as a whole and this is then shared amongst the individual schools on a pro-rata basis. Schools will be informed of their share of the Annual Levy Allowance by MIST at the start of each payroll year, i.e. April.

19.5.2 A group apprenticeship levy digital account has been set up and all MIST schools are linked to this account, and their contributions automatically credit this account on a monthly basis. Schools will be given access to the digital account and all apprenticeship training should be setup via this web portal. Once the setup of an apprentice's training has been finalised all payments relating to the training will be made automatically via the digital account.

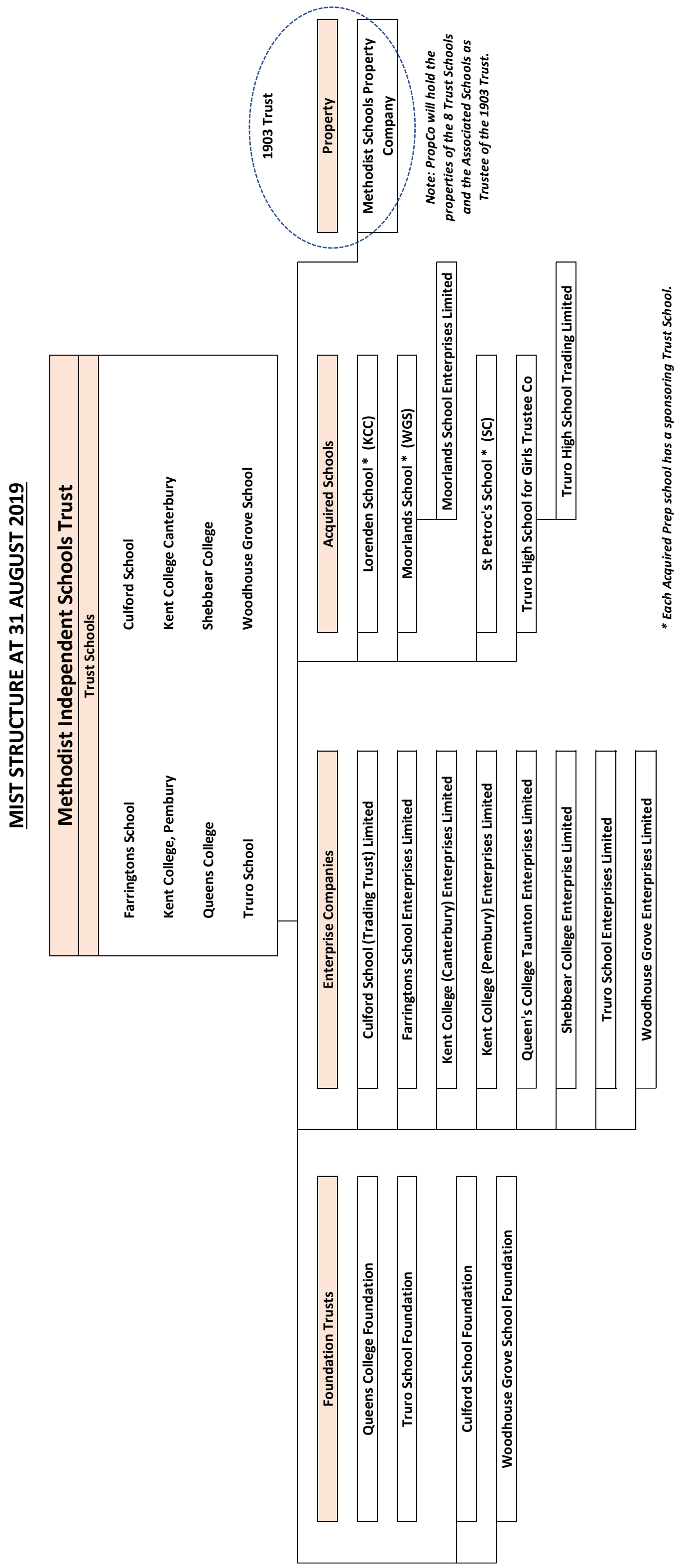
20. Insurance

20.1 MIST has appointed Hettle Andrews to act as the group's insurance broker. Whilst the Group policy will be signed off by MIST's Finance Committee, School Bursars will be expected to work with Hettle Andrews to ensure that all insurance requirements have been identified and the necessary insurance values agreed. Bursars must advise Hettle Andrews of all claims and potential claims and Hettle Andrews will then manage the claims on behalf of the School.

20.2 Each School must maintain a record of their historic insurance so that any claims which arise can be actively managed.

APPENDICES

Appendix 1. Organisational chart



Appendix 2. Example Management Accounts, Budgets and 5+5's

Please note – the financial formats presented below are those in current use – which will continue in the short term. However, MIST will issue new templates before the 2019/20 Spring Management Accounts to harmonise presentation between the three reports as far as possible.

Example Management Accounts:

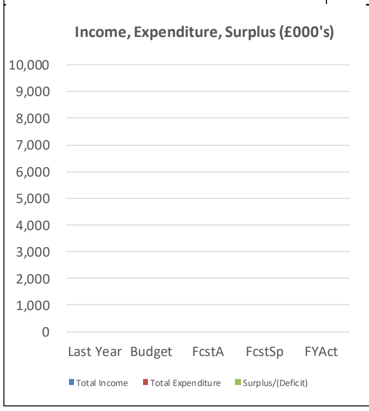
Commentary:

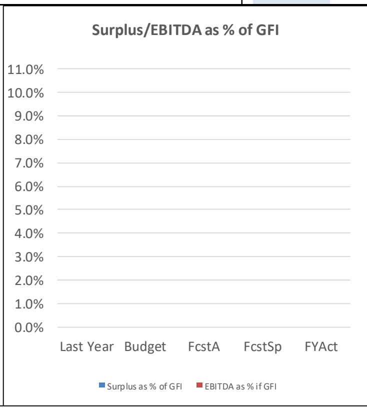
Circa one page explaining any major differences between forecast and approved budget, and outlining plans to counteract any significant negative financial pressures in order to achieve the approved budget.

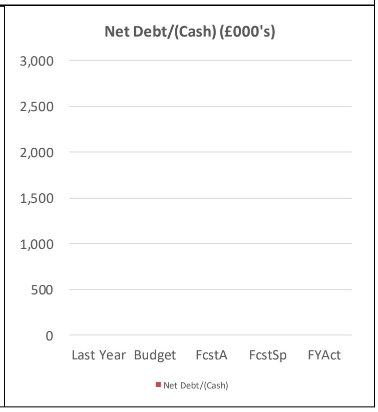
SCHOOL

Year ending 31 August 2017

	Autumn Term	Variance		Full Year		2017 Forecast compared with			
	2017 Actual	**2017 Budget**	**2016 Actual**	**2017 Forecast**	***As a % of GFI***	**2017 Budget**		**2016 Actual**	
Student numbers - day *(yrs R-13)*	*0*	*0*	*0*	*0*		*0*	*#DIV/0!*	*0*	*#DIV/0!*
Student numbers - boarders *(yrs R-13)*									
Student numbers - Total *(yrs R-13)*	*0*	*0*	*0*	*0*		*0*		*0*	
Teacher numbers *(FTE Total)*	*0*	*0*	*0*	*0*		*0*	*#DIV/0!*	*0*	*#DIV/0!*
Pupil/Teacher Ratio	*#DIV/0!*			***#DIV/0!***					
INCOME AND EXPENDITURE ACCOUNT	**£000**	**£000**	**£000**	**£000**	***%***	**£000**	***%***	**£000**	***%***
Total Income	**0**	**0**	**0**	**0**	*#DIV/0!*	**0**	*#DIV/0!*	**0**	*#DIV/0!*
Total expenditure	**0**	**0**	**0**	**0**	*#DIV/0!*	**0**	*#DIV/0!*	**0**	*#DIV/0!*
SURPLUS/(DEFICIT)	**0**	**0**	**0**	**0**	*#DIV/0!*	**0**	*#DIV/0!*	**0**	*#DIV/0!*
EBITDA	**0**	0	0	**0**	*#DIV/0!*	0	*#DIV/0!*	0	*#DIV/0!*
Net Fee Income per Pupil (£000's)	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*		*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*
Discounts as % of GFI	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	#DIV/0!		*#DIV/0!*		*#DIV/0!*	
Teaching Costs as % of GFI	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	#DIV/0!		*#DIV/0!*		*#DIV/0!*	
Total Expenditure as % of GFI	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	#DIV/0!		*#DIV/0!*		*#DIV/0!*	
Surplus/(Deficit) as % of GFI	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	#DIV/0!		*#DIV/0!*		*#DIV/0!*	
EBITDA as % of GFI	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	#DIV/0!		*#DIV/0!*		*#DIV/0!*	
BALANCE SHEET	**£000**	**£000**	**£000**	**£000**	***%***	**£000**	***%***	**£000**	***%***
NET ASSETS	**0**	**0**	**0**	**0**		**0**	***#DIV/0!***	**0**	***#DIV/0!***
General Fund	0	0	0	0	*#DIV/0!*	0	*#DIV/0!*	0	*#DIV/0!*
Total Loans	0	0	0	0		0	*#DIV/0!*	0	*#DIV/0!*
Net (Debt)/Cash	0	0	0	0		0	*#DIV/0!*	0	*#DIV/0!*
General Fund as % of Total Income	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*		*#DIV/0!*		*#DIV/0!*	
Total Loans as % of GFI	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*		*#DIV/0!*		*#DIV/0!*	
Total Loans as Multiple of EBITDA	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*		*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*
Total Loans as % of Property NBV	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*		*#DIV/0!*		*#DIV/0!*	
Debtors as % of GFI	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*		*#DIV/0!*		*#DIV/0!*	
CASH FLOW STATEMENT	**£000**	**£000**	**£000**	**£000**	***%***	**£000**	***%***	**£000**	***%***
Cash Generated from Operations	0	0	0	0		0	*#DIV/0!*	0	*#DIV/0!*
Capital expenditure	0	0	0	0		0	*#DIV/0!*	0	*#DIV/0!*
Loans movement	0	0	0	0		0	*#DIV/0!*	0	*#DIV/0!*
Other	0	0	0	0		0	*#DIV/0!*	0	*#DIV/0!*
Net Inflow/(Outflow)	**0**	**0**	**0**	**0**		**0**	***#DIV/0!***	**0**	***#DIV/0!***
Cash balances b/fwd	0	0	0	0		0	*#DIV/0!*	0	*#DIV/0!*
Cash balances c/fwd	**0**	**0**	**0**	**0**		**0**	***#DIV/0!***	**0**	***#DIV/0!***
Capex as % of Total Income	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*		*#DIV/0!*		*#DIV/0!*	







SCHOOL

INCOME AND EXPENDITURE ACCOUNT
Year ending 31 August 2017

	Autumn Actual	Spring Forecast	Summer Forecast	YEAR Forecast		Budget		Variance
Student numbers - day (yrs R-13)								
Student numbers - boarding (yrs R-13)								
Student numbers - total (yrs R-13)	*0*	*0*	*0*	*0*		*0*		*0*
Teacher numbers (FTE Total)								
	£000	£000	£000	£000	*%*	£000	*%*	£000
INCOME								
Gross fees				0	*100%*		*100%*	0
Less: Discounts				0	*#DIV/0!*		*#DIV/0!*	0
Net Fee income	0	0	0	0	*#DIV/0!*	0	*#DIV/0!*	0
Other educational income				0	*#DIV/0!*		*#DIV/0!*	0
Trading and lettings				0	*#DIV/0!*		*#DIV/0!*	0
Interest receivable				0	*#DIV/0!*		*#DIV/0!*	0
Other income				0	*#DIV/0!*		*#DIV/0!*	0
Total Income	**0**	**0**	**0**	**0**	*#DIV/0!*	**0**	*#DIV/0!*	**0**
EXPENDITURE								
Teaching costs				0	*#DIV/0!*		*#DIV/0!*	0
Welfare				0	*#DIV/0!*		*#DIV/0!*	0
Premises				0	*#DIV/0!*		*#DIV/0!*	0
Support and administration				0	*#DIV/0!*		*#DIV/0!*	0
Marketing and publicity				0	*#DIV/0!*		*#DIV/0!*	0
Management and governance				0	*#DIV/0!*		*#DIV/0!*	0
Finance Costs				0	*#DIV/0!*		*#DIV/0!*	0
Depreciation				0	*#DIV/0!*		*#DIV/0!*	0
Total expenditure	**0**	**0**	**0**	**0**	*#DIV/0!*	**0**	*#DIV/0!*	**0**
SURPLUS/(DEFICIT)	**0**	**0**	**0**	**0**	*#DIV/0!*	**0**	*#DIV/0!*	**0**
Movement in other funds				0				0
Movement in reserves	**0**	**0**	**0**	**0**	*#DIV/0!*	**0**	*#DIV/0!*	**0**

SCHOOL

BALANCE SHEET

	Opening Actual £000	Autumn Actual £000	Spring Forecast £000	Summer Forecast £000
Fixed Assets				
Land and Buildings				
Other tangible assets				
Investments				
	0	0	0	0
Current Assets				
Stocks				
Fee debtors				
Bad debt provision				
Prepayments & other debtors				
Bank and cash balances				
	0	0	0	0
Current Liabilities				
Bank Overdraft				
Fee creditors				
Accruals & other creditors				
Pensions Trust deficit				
	0	0	0	0
Net Current Assets	0	0	0	0
Loans - MIST				
Loans - Other				
Pension deficit - **Local government scheme only**				
NET ASSETS	0	0	0	0
Financed by:				
Restricted Funds				
Designated Funds - Property				
Designated Funds - Other				
Pension Reserve - **Local Government scheme only**				
General Fund				
	0	0	0	0

SCHOOL

Year ending 31 August 2017

	Autumn Actual £000	Spring Forecast £000	Summer Forecast £000	YEAR Forecast £000	Budget £000	Variance £000
CASH FLOW STATEMENT						
Surplus/(Deficit) for period						0
Add: Depreciation						0
Change in working capital						0
Cash Generated from Operations	0	0	0	0	0	0
Capital expenditure						0
Loans/(repayments)						0
Other						0
	0	0	0	0	0	0
Cash balances b/fwd						0
Cash balances c/fwd	0	0	0	0	0	0
Notes						
Change in working capital comprises:						
Change in Fees Ledger & advances		0			0	0
Change in Drs/Stocks (excl FL)		0			0	0
Change in Creditors (excl FL)		0			0	0
	0	0	0	0	0	0
Capital expenditure						
Land & buildings						0
Office equipment						0
Computer equipment						0
Vehicles						0
	0	0	0	0	0	0

SCHOOL

ACCOUNTS ANALYSES

Year ending 31 August 2017

	Autumn Actual £000	Spring Forecast £000	Summer Forecast £000	YEAR Forecast £000		Budget £000		Variance £000
Discounts								
Scholarships				0	*#DIV/0!*		*#DIV/0!*	0
Bursaries				0	*#DIV/0!*		*#DIV/0!*	0
Allowances				0	*#DIV/0!*		*#DIV/0!*	0
Fee commission				0	*#DIV/0!*		*#DIV/0!*	0
	0	0	0	0	*#DIV/0!*	0	*#DIV/0!*	0
Teaching costs								
Teachers' salaries				0	*#DIV/0!*		*#DIV/0!*	0
Support staff salaries				0	*#DIV/0!*		*#DIV/0!*	0
Teaching departmental costs				0	*#DIV/0!*		*#DIV/0!*	0
Extracurricular costs				0	*#DIV/0!*		*#DIV/0!*	0
Training and recruitment				0	*#DIV/0!*		*#DIV/0!*	0
Other				0	*#DIV/0!*		*#DIV/0!*	0
	0	0	0	0	*#DIV/0!*	0	*#DIV/0!*	0
Welfare								
House staff				0	*#DIV/0!*		*#DIV/0!*	0
Catering				0	*#DIV/0!*		*#DIV/0!*	0
Medical				0	*#DIV/0!*		*#DIV/0!*	0
Laundry				0	*#DIV/0!*		*#DIV/0!*	0
	0	0	0	0	*#DIV/0!*	0	*#DIV/0!*	0
Premises								
Fuel & light				0	*#DIV/0!*		*#DIV/0!*	0
Cleaning				0	*#DIV/0!*		*#DIV/0!*	0
Property maintenance				0	*#DIV/0!*		*#DIV/0!*	0
Grounds maintenance				0	*#DIV/0!*		*#DIV/0!*	0
Furniture & equipment				0	*#DIV/0!*		*#DIV/0!*	0
Rates, water & insurance				0	*#DIV/0!*		*#DIV/0!*	0
	0	0	0	0	*#DIV/0!*	0	*#DIV/0!*	0

SCHOOL

ACCOUNTS ANALYSES
Year ending 31 August 2017

	Autumn Actual £000	Spring Forecast £000	Summer Forecast £000	YEAR Forecast £000		Budget £000		Variance £000
Support and administration								
Salaries				0	*#DIV/0!*		*#DIV/0!*	0
Technology costs				0	*#DIV/0!*		*#DIV/0!*	0
Office expenses				0	*#DIV/0!*		*#DIV/0!*	0
Transport				0	*#DIV/0!*		*#DIV/0!*	0
Miscellaneous				0	*#DIV/0!*		*#DIV/0!*	0
Pensions Deficit - Pensions Trust				0	*#DIV/0!*		*#DIV/0!*	0
	0	0	0	0	*#DIV/0!*	0	*#DIV/0!*	0
Management and governance								
MIST Assessment				0	*#DIV/0!*		*#DIV/0!*	0
Legal & Professional costs				0	*#DIV/0!*		*#DIV/0!*	0
Audit				0	*#DIV/0!*		*#DIV/0!*	0
Governors' expenses				0	*#DIV/0!*		*#DIV/0!*	0
	0	0	0	0	*#DIV/0!*	0	*#DIV/0!*	0
Finance Costs								
Bank interest & charges				0	*#DIV/0!*		*#DIV/0!*	0
Bad debts				0	*#DIV/0!*		*#DIV/0!*	0
	0	0	0	0	*#DIV/0!*	0	*#DIV/0!*	0
Depreciation								
Land and buildings				0	*#DIV/0!*		*#DIV/0!*	0
Equipment & vehicles				0	*#DIV/0!*		*#DIV/0!*	0
	0	0	0	0	*#DIV/0!*	0	*#DIV/0!*	0

Example Budget

Commentary

Circa 1-2 pages briefly laying out - from a MIST Group perspective – the salient highlights. Categories to be considered for commentary are:

- Major variances in income and expenditure compared with the current year's budget and forecast
- Internal or external factors that have a material financial impact – either for the budget year or beyond
- Explanations for any of the MIST earnings or balance sheet targets which are not budgeted to be met
- Any risks around the assumptions used in preparing the budget
- Cash flow – any pressure points and strategy for addressing these
- Capital projects – compliance with the MIST Capital Projects Policy described in 12.7.4, and brief description of the major projects together with risks and opportunities associated with each
- Loan funding – any changes expected in the forthcoming year(s)

Layout – Overleaf (NB now to include month by month cash flow at a high level in the school's own format)

SCHOOL					
Budget 2017/18	**Opening bals**	**Autumn**	**Spring**	**Summer**	**YEAR**
Student numbers *(yrs R-13)*					#DIV/0!
Teacher numbers *(FTE Total)*					#DIV/0!
INCOME					
Gross fees					0.000
Discounts					
Scholarships					0.000
Bursaries					0.000
Allowances					0.000
Fee commission					0.000
		0.000	0.000	0.000	0.000
Net Fee income		0.000	0.000	0.000	0.000
Other educational income					0.000
Trading and lettings					0.000
Interest receivable					0.000
Other income					0.000
TOTAL INCOME		**0.000**	**0.000**	**0.000**	**0.000**
EXPENDITURE					
Teaching costs					
Teachers' salaries					0.000
Teaching departmental costs					0.000
Games and activites					0.000
Miscellaneous tuition					0.000
Other		0.000	0.000	0.000	0.000
		0.000	0.000	0.000	0.000
Welfare					
House staff					0.000
Catering					0.000
Medical					0.000
Laundry					0.000
		0.000	0.000	0.000	0.000
Premises					
Domestic wages					0.000
Fuel & light					0.000
Cleaning					0.000
Property maintenance					0.000
Grounds maintenance					0.000
Furniture & equipment					0.000
Rates, water & insurance					0.000
		0.000	0.000	0.000	0.000
Support and administration					
Salaries					0.000
Technology costs					0.000
Office expenses					0.000
Transport					0.000
Miscellaneous					0.000
		0.000	0.000	0.000	0.000
Marketing and publicity					
Marketing					0.000
Fundraising					0.000
		0.000	0.000	0.000	0.000
Management and governance					
MIST Assessment					0.000
Legal and professional costs					0.000
Audit					0.000
Governors' expenses					0.000
		0.000	0.000	0.000	0.000
Finance Costs					
Bank interest & charges					0.000
Bad debts					0.000
		0.000	0.000	0.000	0.000
Depreciation					
Land and buildings					0.000
Equipment & vehicles					0.000
		0.000	0.000	0.000	0.000
TOTAL EXPENDITURE		**0.000**	**0.000**	**0.000**	**0.000**
SURPLUS/(DEFICIT)		**0.000**	**0.000**	**0.000**	**0.000**

BALANCE SHEET				
Fixed Assets				
Land and Buildings		0.000	0.000	0.000
Other tangible assets		0.000	0.000	0.000
Investments			0.000	0.000
	0.000	0.000	0.000	0.000
Current Assets				
Stocks		0.000	0.000	0.000
Fee debtors		0.000	0.000	0.000
Bad debt provision		0.000	0.000	0.000
Prepayments & other debtors		0.000	0.000	0.000
Bank and cash balances		0.000	0.000	0.000
	0.000	0.000	0.000	0.000
Current Liabilities				
Bank Overdraft		0.000	0.000	0.000
Fee creditors		0.000	0.000	0.000
Accruals & other creditors		0.000	0.000	0.000
Pensions Trust deficit		0.000	0.000	0.000
	0.000	0.000	0.000	0.000
Net Current Assets	0.000	0.000	0.000	0.000
Loans - MIST		0.000	0.000	0.000
Loans - Other				
Pensions Deficit - Local Government Schemes				
NET ASSETS	0.000	0.000	0.000	0.000
Financed by:				
Restricted Funds		0.000	0.000	0.000
Designated Funds - Property			0.000	0.000
Designated Funds - Pensions Trust		0.000	0.000	0.000
Designated Funds - Other				
General Fund		0.000	0.000	0.000
	0.000	0.000	0.000	0.000

CASH FLOW STATEMENT				
Surplus/(Deficit) for period	0.000	0.000	0.000	0.000
Add: Depreciation	0.000	0.000	0.000	0.000
Change in working capital	0.000	0.000	0.000	0.000
Cash Generated from Operations	0.000	0.000	0.000	0.000
Capital expenditure	0.000	0.000	0.000	0.000
Loans/(repayments)				0.000
Other - Fundraising	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000
Cash balances b/fwd	0.000	0.000	0.000	0.000
Cash balances c/fwd	0.000	0.000	0.000	0.000
check = 0	*0.000*	*0.000*	*0.000*	*0.000*
Notes				
Change in working capital comprises:				
Change in Fees Ledger & advances	0.000	0.000	0.000	0.000
Change in Drs/Stocks (excl FL)	0.000	0.000	0.000	0.000
Change in Creditors (excl FL)	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000
Capital expenditure				
Land & buildings				0.000
Office equipment				0.000
Computer equipment				0.000
Vehicles				0.000
	0.000	0.000	0.000	0.000

Example 5+5

Commentary:

Circa 1-2 pages briefly laying out - from a MIST Group perspective – the salient highlights. Categories to be considered for commentary are:

- Major variances from the prior year's 5+5
- Trends across the ten year period, and strategies for addressing any risks arising
- Internal or external factors that have a material financial impact
- Explanations for any of the MIST earnings or balance sheet targets which are not forecast to be met
- Any risks around the assumptions used in preparing the 5+5
- Cash flow – any pressure points and strategy for addressing these
- Capital projects – compliance with the MIST Capital Projects Policy described in 12.7.4, and description of the major projects
- Loan funding - outline of strategy and intentions over the forthcoming 5+5 period

Layout - overleaf

SCHOOL

	History					FORECAST				
	Year -5	Year -4	Year -3	Year-2	Year -1	Year 0	Year 1	Year 2	Year 3	Year 4
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
No of Pupils - Day (R - 13)										
No of Pupils - Boarders (R - 13)										
No of Pupils - Total (R - 13)										
No of Teaching Staff (FTE)										
No of Non-teaching Staff (FTE)										
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
INCOME										
Gross fees										
Less: Discounts										
Net Fee income	0	0	0	0	0	0	0	0	0	0
Other educational income										
Trading and lettings										
Fundraising										
Interest receivable										
Other income										
Total Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
EXPENDITURE										
Teaching costs										
Welfare										
Property maintenance										
Premises										
Support and administration										
Marketing and publicity										
Management and governance										
Finance Costs										
Depreciation										
Total expenditure	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
SURPLUS/(DEFICIT)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest										
Depreciation										
Other EBITDA adjustments										
EBITDA	0	0	0	0	0	0	0	0	0	0
CAPITAL EXPENDITURE										
Other (< £50k)										
	0	0	0	0	0	0	0	0	0	0
CASH FLOW										
Surplus/(Deficit) after depn										
Depreciation										
Change in working capital										
Operating surplus/(deficit)	0	0	0	0	0	0	0	0	0	0
Capital expenditure										
Proceeds from sale(s) of fixed assets										
Investments acquired/(sold)										
MIST loans - draw downs										
MIST loans - (repayments)										
Other loans - draw downs										
Other loans - (repayments)										
Other										
	0	0	0	0	0	0	0	0	0	0
Cash balances b/fwd										
Cash balances c/fwd	0	0	0	0	0	0	0	0	0	0

KEY PERFORMANCE INDICATORS										
Pupil : Teacher ratio										
% increase in school fees										
Surplus after depreciation as % of GFI										
EBITDA as % of GFI										
Discounts as % of GFI										
Teaching costs as % of GFI										
Welfare costs as % of GFI										
Premises costs as % of GFI										
Other costs excluding depreciation as % of GFI										
Loans as % of GFI										
Loans as multiple of EBITDA										
Net Debt as multiple of EBITDA										
General Fund as % of GFI										
SUMMARY BALANCE SHEET (CONSOLIDATED)										
Fixed Assets										
Land and Buildings										
Other tangible assets										
Investments										
Current Assets										
Stocks and debtors										
Bank and cash balances (consolidated)										
Liabilities										
Pension deficit - Pensions Trust										
Pension deficit - Local Government scheme										
Loans - MIST										
Loans - Deferred										
Loans - Other										
NET ASSETS	0	0	0	0	0	0	0	0	0	0
Financed by:										
Permanent Endowment Fund - Property										
Designated Funds - Property										
Restricted/Other Designated Funds										
Pension Reserve - Local Government scheme only										
General Fund										
	0	0	0	0	0	0	0	0	0	0

Appendix 3. Summary Financial Statements

Some stakeholders including prospective staff and parents may want to review the Trust Schools' financial position to gain some assurance that they are joining a financially stable organisation. Historically they will have been able to do this by downloading the audited accounts from the Charity Commission website.

Under the new Unified Corporate Model, this will not be possible as it will be MIST and not the Trust Schools that will be the registered charity and therefore the schools will no longer be required to submit audited accounts to the Charity Commission. Each school's financial position will be consolidated within the MIST accounts which will be available through the Charity Commission website.

There are a number of options available under the new Unified Corporate Model to address this issue:

1.Schools do not include any information on their financial position on the website.
2.Schools explain their position in MIST on their website and include a link to the MIST consolidated audited accounts.
3. The schools include their accounts in a statutory format on their website (as this format will need to be prepared for submission to MIST anyway). A statement could be added that the accounts are unaudited in their own right - explaining the position within MIST and including a link to the audited MIST financial statements.
4. The schools include summary financial statements for interested stakeholders, along with a link to the consolidated MIST accounts as explained in (3) above.

It would be the decision of the School Governors for each School individually which of the above approaches they would adopt. This decision could be assessed annually.

The rest of this Appendix considers what summary financial statements might include with reference to the Farringtons School 2015/16 accounts as an example. It would be a straightforward process to pull these figures from the audited accounts. Data on pupil numbers, number of teachers, Pupil:Teacher ratio could also be included if it was thought useful.

Income and expenditure – year ending 31 August 2016

Incoming Resources	2015/16 £'000	2014/15 £'000
School fees	*8,327*	*8,249*
Other income	*315*	*432*
Trading income	*293*	*291*
Investment income	*23*	*26*
Total incoming resources	*8,958*	*8,998*

Resources expended

Provision of education	*8,278*	*7,826*
Other costs	*33*	*43*
Total resources expended	8,311	7,869
Actuarial and investment gains	*3*	*0*
NET SURPLUS	*650*	*1,129*

Balance sheet – year end 31 August 2016

	31/08/16	31/08/15
Fixed Assets		
Tangible assets	*10,423*	*9,378*
Investments	*38*	*34*
	10,461	*9,412*
Current Assets		
Stock	*29*	*20*
Debtors	*197*	*202*
Cash	*3,290*	*3,391*
	3,516	*3,613*
Creditors: due within one year	*(2,079)*	*(1,797)*
Net current assets	*1,437*	*1,816*
Total assets less current liabilities	**11,898**	**11,228**
Creditors: due after one year	*(1,902)*	*(1,882)*
Total Net Assets	*9,996*	*9,346*
Restricted funds	*65*	*61*
Unrestricted funds	*9,931*	*9,285*
Total Funds	*9,996*	*9,346*

Appendix 4. Loan Application

APPLICATION FOR A DEVELOPMENT LOAN FROM MIST
Loan Requested By
Amount of Loan Requested
Purpose of Loan
Overall objective
What will the loan facilitate?
What is being developed?
What is the status of the design work?
What is the status of any required planning consent?
Who is managing the project?
What other consents are required and what is their status?
What work has been done to provide certainty about the proposed costs?
What are the risks with the development?
How are those risks being managed?
How is the overall project being managed? Note: Please attach a timeline for the project showing the key project activities and when they have to be delivered.

High level financials	Yr0	Y1	Y2	Y3	Y4
Current	2014/15	2015/16	2016/17	2017/18	2018/19
Pupil Nos.	0	0	0	0	0
Gross Fee Income	£ -	£ -	£ -	£ -	£ -
Surplus/(Deficit) Before Depreciation	£ -	£ -	£ -	£ -	£ -
As a % of Gross Fee Income	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total Loans	£ -	£ -	£ -	£ -	£ -
Total Loans as % of GFI %	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

	Yr0	Y1	Y2	Y3	Y4
Development	2014/15	2015/16	2016/17	2017/18	2018/19
Pupil Nos.	0	0	0	0	0
Gross Fee Income	£ -	£ -	£ -	£ -	£ -
Surplus/(Deficit) Before Depreciation	£ -	£ -	£ -	£ -	£ -
As a % of Gross Fee Income	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Cumulative Surplus Before Depreciation	£ -	£ -	£ -	£ -	£ -
Loan Requested	£ -	£ -	£ -	£ -	£ -
NBV of Development Asset	£ -	£ -	£ -	£ -	£ -
Payback period of development					
Total Loans	£ -	£ -	£ -	£ -	£ -
Total Loans as % of GFI %	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Loan To Value	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

	Yr0	Y1	Y2	Y3	Y4
Combined	2014/15	2015/16	2016/17	2017/18	2018/19
Pupil Nos.	0	0	0	0	0
Gross Fee Income	£ -	£ -	£ -	£ -	£ -
Surplus/(Deficit) Before Depreciation	£ -	£ -	£ -	£ -	£ -
As a % of Gross Fee Income	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Net Book Value of property assets		£ -	£ -	£ -	£ -
Loan To Value	#DIV/0!				
Total Loans	£ -	£ -	£ -	£ -	£ -
Total Loans as % of GFI %	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Note: 5 + 5 forms attached

Combined Covenants:					
Total loans < 1/3 Gross Fee Income	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total loans < 2.5 times EBITDA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
General Reserves	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Recommendation to MIST

Approved by Governors of SCHOOL]

Chairman of Governors Date

Approved by MIST Finance Committee

Chairman of Finance Committee Date

Approved by the Trustees of MIST

Chairman of MIST Date

Appendix 5. Loan Protocols

MIST Loan Protocols

1. The following sets out the suggested requirements from Schools in order to satisfy MIST Loan Requirements for Capital Projects
2. While these requirements are not intended to overburden Schools with additional work, they do largely represent current banking loan requirements / industry best practice
3. It is proposed that MIST will not provide 100% funding on any schemes and School's will be required to provide funding up to obtaining Planning Consent
4. It is proposed that **MIST** Funding will be in the following **Funding Stages**:
   A. Funding to develop the design to get to tender
   B. Funding to undertake construction subject to completion of a successful Tender process (less retained retention)
   C. Release of retention subject to successful project completion

	Funding Stage	Project Stage	RIBA Stage(s)	Proposed Submission from School	Proposed Review Actions by MIST
1	**Establishing the Business Case - Loan Agreement in Principle [Optional Stage]**	Project Brief / Feasibility	0 and 1	1. Elemental Total Budget Cost Estimate (not high level cost/m2)	Has School effectively established an appropriate Construction Budget? Has the School identified fully all the other project costs? Has the School demonstrated that it has estimated costs in accordance with the NRM1?
				2. Initial Benchmarking of Scheme Cost	Has the School satisfied itself that their estimate of Construction / Total Cost is correct?
				3. Outline Summary or Project Abnormals / Risk Items	Have these been properly considered and identified?
				4. Indicative Pre Contract Cashflow	Is the School's financial commitment clearly identified?
				5. Initial project Programme	Has the initial Programme been identified and is it achievable?
				6. Summary of consents that will be required	Has the School identified all possible consents including planning?
				7. Summary of Key Surveys required to be undertaken	Has the School identified and budgeted for these?
				8. Outline Brief of the Project	Has the School clearly identified what they want?
				9. Outline Business Case	Has the School demonstrated initially how it can repay the loan?
2	**Obtaining Planning Consent - Loan Agreement in Detail and Funding for Design / Pre Construction work**	Obtaining Planning	2 / 3	1. Elemental Cost Plan and updated Total Budget Cost	Has the School's anticipated Construction Cost and Total Budget been appropriately updated / confirmed? Has the School demonstrated that it has updated costs in accordance with the NRM1?
				2. Updated Benchmarking	Has the School satisfied itself that their updated estimate of Construction / Total Cost is correct?
				3. Quantified Risk Register and Risk Management Plan	Has the School adequately identified project risks, established an appropriate action plan and has sufficient funds to deal with risk?
				4. Updated Cashflow - Pre and Post Contract	Has the School identified its pre contract and post contract financial commitments over time?
				5. Confirmation of consents received to date + list of outstanding consents	Has the School confirmed what consents have been attained and what are outstanding?
				6. Updated Project Programme	Has the updated Programme been identified and is it achievable? Does the Programme allow adequate time between Tendering and Start on site to get a Contract in place and signed?
				7. Confirmation of detailed Brief	Has the School clearly identified what they want and identified any changes from the Outline Brief?
				8. Establishment of clear procurement and tendering Strategy	Has the School identified an appropriate procurement and tendering strategy that adequately addresses time, quality, cost and risk issues?
				9. Confirmation of Contractual arrangements	Has the School selected an appropriate form of contract and considered any amendments that appropriately manage risk?
				10. Detailed Business Case	Has the School demonstrated fully how it can repay the loan?

			MIST FUNDING STAGE A		
	Funding Stage	**Project Stage**	**RIBA Stage(s)**	**Proposed Submission from School**	**Proposed Review Actions by MIST**
3	**Design to get to Tender - MIST Funding for Construction**	Developing Design to go to Tender	2/3 - 4	1. Pre Tender Estimate (PTE)	Has the School demonstrated that the anticipated Final Costs are projected to be within budget? Has the School reconciled any significant variances to what has been previously reported?
				2. Tender Report and recommendation	Has the School clearly demonstrated that the correct Contractor has been selected both on ability and financial grounds? Has the School demonstrated that it had carried out financial "health checks" on the tendering Contractors Has the School demonstrated how the recommended Tender reconciles within the Total Project Budget / PTE? Has the School clearly identified the balance of Project Risks which it owns and has adequate funds to cover these? Has the School agreed a potential Contract Sum with minimal or no Provisional Sums? Where Provisional Sums are required has the School demonstrated that that they have properly considered the adequacy of each Sum? Where Provisional Sums are required has the School confirmed that these are all Defined Provisional Sums under the contract? If not, have they considered the possible programme implications?
				3. Agreed Contract Programme	Has the School confirmed this and reconciled any variances from what has been previously reported?
				4. Construction Cashflow	Has the School established a Construction Cashflow for both Construction Costs and Fess & Other Costs
				5. Snagging and Handover	Has the School clearly identified how the construction work is to be snagged/quality controlled and what actually constitutes Practical Completion?
				6. Signed Contract	Has this School agreed and signed the Contract - **THIS IS A MANDATORY REQUIREMENT FROM MIST BEFORE RELEASING FUNDS FOR CONSTRUCTION.**
			MIST FUNDING STAGE B		
4	**Construction**	Construction	5	1. Monthly Reports to MIST for Information	Is the School's predicted cost and programme position in line with what was originally forecast? Has the School identified that payments to date are in line with the predicted cashflow and explained any variances? Has the School identified any issues with regards to progress and/or quality and shown clearly how these are being managed?
				2. Exceptions Reporting	Has the School raised with MIST anything that will significantly impact on predicated cost and/or programme?
5	**Project Completion and Close Out**	Handover and Close Out	6	1. Practical Completion paperwork	Has the School demonstrated that the project is Practically Complete?
				2. Snagging List / List of outstanding Works	Has the School provided a clear snagging list and demonstrated that the outstanding snags are manageable?
				3. Predicated Final Account	Has the School provided a prediction of the Final Account and a reconciliation of this against the agreed Contract Sum? Has the School highlighted the extent of any contractual issues still to be resolved and how these are to be managed?

	MIST FUNDING STAGE C				
	Funding Stage	**Project Stage**	**RIBA Stage(s)**	**Proposed Submission from School**	**Proposed Review Actions by MIST**
6	**Post Completion**	Project Close Out	7	1. Lessons Learnt and close out position	Have the Schools provided final feedback to MIST on lessons learnt and the final project cost against what had been forecast?
					Have the School confirmed that the project is now clear of defects?