

EAST MIDLANDS
EDUCATION TRUST

*FINANCE
POLICY*

September 2020



East Midlands
Education Trust

Contents

- 1. Introduction and scope4
- 2. Organisation - EMET4
- 3. Organisation – member academies5
- 4. Register of Business Interests5
- 5. Gifts and Hospitality6
- 6. VAT.....6
- 7. Insurance.....6
- 8. Risk Management.....6
- 9. EMET recharges for central services.....7
- 10. Budget Setting7
- 11. Accounting system and controls8
 - Accounting system8
 - Account Structure/Chart of Accounts8
 - Income8
 - Sundry debtor management.....9
 - Catering10
 - Expenditure – Payroll10
 - Expenditure - Purchasing.....10
 - Charge card use.....13
 - Internal audit14
- 12. Bank and Cash Management14
 - Bank Accounts management14
 - Investments.....14
 - Petty Cash Accounts and Cash Floats.....15
- 13. Inventory and Fixed Assets15
 - Loan of Assets16
- 14. EMET Capital Funding, Appraisal and Expenditure16
- 15. Stock.....17
- 16. Financial monitoring & reporting17
- 17. Year-end.....18
- 18. Retention of documents.....18

Appendix 1 - PSF - levels of authority.....20
Appendix 2 – Tendering.....20

1. Introduction and scope

- 101 The purpose of this Finance Policy is to ensure that the East Midlands Education Trust (EMET) maintains and develops systems of financial control across all academies which conform to the requirements both of propriety and of good financial management. This Finance Policy has been produced in order for the Trust's financial controls to be aligned with statutory and regulatory guidance for Academies, issued by the Education & Schools Funding Agency (ESFA) through the Academies Financial Handbook (AFH), Charity Law and the Funding Agreement (FA).
- 102 The Finance Policy must be read in conjunction with the Academies Financial Handbook
<https://www.gov.uk/government/publications/academies-financial-handbook>
- 103 Supplemental to the Finance Policy the Financial Procedures Manual provides additional process details and template documents.
- 104 Academies must at all times act in accordance with the EMET Finance Policy its Financial Procedures Manual and the Academies Financial Handbook published annually by the ESFA.

2. Organisation - EMET

- 201 EMET is a Multi-Academy Trust (MAT).
- 202 The East Midlands Education Trust (EMET) is a charitable company limited by guarantee. It is governed by a board of Trustees which has overall responsibility for the management and administration of the MAT and the academies within the MAT.
- 203 EMET has entered into agreements with the Secretary of State. There is a Master Funding Agreement (MFA) which applies to the MAT overall and an individual Supplemental Funding Agreement (SFA) for each of the academies.
- 204 The Trustees deal with strategic planning and the setting of policy. The MAT overall is managed through business planning, monitoring of budgets, performance management, the setting of standards and the implementation of quality management processes.
- 205 On joining EMET each academy agrees a "Terms of Reference" document which defines its roles and responsibilities and the extent of its decision-making powers. The terms of reference are made under the powers conferred on the MAT in its Articles of Association to make regulations governing the conduct of the Local Governing Body (LGB). The degree to which powers are delegated to the LGB may be different for different academies depending on the capacity of the LGB in question.
- 206 The EMET Board of Trustees has responsibility for the oversight of the finances of the MAT, including compliance with the Academies Financial Handbook and the financial and accounting requirements detailed within the Funding Agreement.
- 207 The Board has appointed an Audit & Risk Committee; the responsibilities being detailed in the Audit & Risk Committee Terms of Reference. They have also nominated a Trustee to have lead responsibility for Finance.
- 208 The EMET CEO is as required by the ESFA assigned the role of Accounting Officer and is accountable for the trust's financial affairs, for keeping proper financial records, and for the management of opportunities and risks. The delivery of the trust's detailed accounting processes is delegated to the Finance Director.

- 209 The EMET Finance Director works in close collaboration with the CEO through whom he or she is responsible to the EMET Board of Directors and governors. The Finance Director also has direct access to the Trustees and is present at Trustees' meetings when finance issues are scheduled.
- 210 The Academy head teacher is responsible for the management of their Academy's financial position at a strategic and operational level, and for the management of effective systems of internal control within their academy
- 211 Each Local Governing Body (LGB) is responsible for monitoring the academy's income and expenditure throughout the year, with reference to the budget agreed and holding the head teacher to account for how resources are expended at the school

3. Organisation – member academies

- 301 The detailed functioning of each academy is delegated to a LGB for each academy. Legally, the LGB is a sub-committee of the board of Trustees and every power or duty given to the LGB has to be given directly by the MAT.
- 302 The head teacher has overall executive responsibility for each academy's activities including financial activities – refer to TORs for individual responsibilities.
- 303 A Trust Finance Manager is allocated to each school, and works in close collaboration with the head teacher.
- 304 Other members of staff, primarily budget holders have financial responsibilities and these are detailed in the following sections of this manual.

4. Register of Business Interests

- 401 It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from the decisions they make. To avoid any misunderstanding that might arise all academy Trustees, governors and staff with significant financial or spending powers are required to declare any financial interests they or their close relatives have in companies or individuals from which the academy may purchase goods or services, including any directorships they hold. This includes all staff who have budget holder responsibilities.
- 402 The Company Secretary will collate the Disclosure of Business Interest forms and will include any declarations in EMET's overall register of interests, which will be distributed to each academy.
- 403 The register must include all business interests such as directorships, share holdings or other appointments of influence within a business or organisation which may have dealings with the academy. The disclosures should also include business 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.
- 404 The existence of a register of business interests does not, of course, detract from the duties of academy Trustees, governors and staff to declare interests whenever they are relevant to matters being discussed at a board or committee meeting. Where an interest has been declared, directors, governors and staff should not attend that part of the meeting.
- 405 The register must be consulted to ensure contracts are not entered into which are in breach of the Academies Financial Handbook due to conflicting business interests.
- 406 Trading with related parties is covered in detail in the Academies Financial Handbook, to which further

reference should also be made.

- 407 EMET must report all related party transactions to the ESFA using the online form prior to the transaction taking place.
- 408 EMET must obtain ESFA's prior approval, using ESFA's on-line form, for contracts for the supply of goods or services to the trust by a related party agreed on or after 1 April 2019 where any of the following limits arise:
- a contract exceeding £20,000
 - a contract of any value that would take the total value of contracts with the related party beyond £20,000 in the same financial year ending 31 August
 - a contract of any value if there have been contracts exceeding £20,000 individually or cumulatively with the related party in the same financial year ending 31 August.

5. Gifts and Hospitality

- 501 East Midlands Education Trust has a policy on the acceptance of gifts, hospitality, awards, prizes or any other benefit which might be seen to compromise their personal judgment or integrity. Academies should ensure that all governors and staff are made aware of this. When giving gifts, the school must ensure that the value of the gift is reasonable and is permitted by the policy and has due regard to propriety and regularity in the use of public funds.

6. VAT

- 601 VAT currently operates under the VAT126 arrangement and claims are made centrally on a monthly basis. The Finance Director is responsible for reviewing the trust's ongoing eligibility for the VAT 126 scheme.

7. Insurance

- 701 The Department for Education (DfE) Risk Protection Arrangement (RPA) is a voluntary arrangement for academies and free schools effective from 1 September 2014. The RPA is not an insurance scheme but is a mechanism through which the cost of risks that materialise from 1 September 2014 will be covered by government funds. All academy trusts and multi-academy trusts can opt in to the RPA. For academies that opt into the RPA scheme their membership is funded by a reduction in GAG of £18 per pupil. (Sept 2020)
- 702 EMET academies must opt into the RPA scheme.
- 703 The RPA scheme does not cover the following risks: motor, Engineering inspection and insurance, works of art. Academies must ensure that they make their own arrangements for this cover regardless of whether or not they have opted into the RPA.

8. Risk Management

- 801 Academies should consider risks to their operations including the causes of the risk and their impact and plan mitigating actions as appropriate to contain the risks. This should be maintained in the form of an academy risk register.

- 802 The Trust should consider risks to the overall operations and maintain an up to date risk register.
- 803 The Finance Director should prepare a business continuity plan in the event of loss of accounting facilities or financial data. This should link in with the annual assessment made by Trustees and governors of the major risks to which the academy is exposed and the systems that have been put in place to mitigate those risks.

9. EMET recharges for central services

- 901 EMET operates a system of “top slicing” GAG income received. This will be decided by the Board of Trustees annually, in conjunction with LGBs.
- 902 Wherever possible, the Top Slice percentage will be agreed during budget setting in March of each year, so that it can be included in academy budgets for the next financial year.

10. Budget Setting

- 1001 The EMET Trustees require all academies to set a three year budget plan as part of the annual budget process. The budget will be continually monitored throughout the year by head teachers, Finance Director and Finance Managers. Budget Holders are also responsible for monitoring their budgets regularly in the PS Purchasing system.
- 1002 The key steps in the annual budget setting process are
- February/March – ESFA issue GAG (Funding statements)
 - March - The budget is set by the schools Finance Manager in conjunction with the Head teacher and Leadership Team (New financial in detail year plus forecast for two further years)
 - April - The budget is reviewed by the EMET Finance Director
 - April - The budget is reviewed and approved by the LGB
 - May - The budget is reviewed and approved by the EMET Trustees; Trustees may require LGBs to produce revised budgets following this meeting.
 - July - A summary of the final budgets of all Academies will be presented by the Finance Director to be reviewed and approved by the EMET Trustees prior to submission to the ESFA
- 1003 The Finance Director is responsible for establishing a set of key assumptions to be applied when setting the budgets, for example in the estimation of Pupil Premium and ESG income due, and Pay rises, National Insurance Rates, Pension Rates etc.
- 1004 The budgetary planning process will incorporate the following elements:
- forecasts of the likely number of pupils to estimate the amount of ESFA grant receivable;
 - review of other income sources available to the academy to assess likely level of receipts;
 - review of past performance against budgets to promote an understanding of the academy cost base;
 - identification of potential efficiency savings and cost saving measures and
 - review of staffing to ensure that all staff appointed or posts due to be created have been budgeted for correctly;
 - review of the main expenditure headings in light of the development plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes.
- 1005 Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings reviewed for areas where cuts can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets should be revised so that income and expenditure are in balance. If a potential surplus is identified, this may be allocated as a contingency or alternatively to

areas of need.

- 1006 Where any year shows a deficit that cannot reasonably be avoided or is considered operationally necessary, the finance director and Trustees will require a narrative explanation of the steps the Governors and head teacher propose to take in order to bring the budget into balance for the second year.
- 1007 Once approved by the EMET Trustees, the final budget should be communicated to the leadership team. Individual budget holders should be made aware of their own budget allocation for the following year.
- 1008 The EMET Finance Director produces the EMET consolidated budget.

11. Accounting system and controls

Accounting system

- 1101 EMET has a preferred accounting system. In order to realise benefits from standardisation across the Trust, the Trustees require all academies within EMET to use this system.
- 1102 All the financial transactions of member academies must be recorded on the accounting system. The accounting system is operated by the Central Finance Department.
- 1103 Entry to the accounting system is password restricted and the Systems Administrator (currently the Finance Director) is responsible for implementing a system which ensures that passwords are changed at least every 30 days for all system users.
- 1104 Access to the component parts of the accounting system can also be restricted and the Systems Administrator (currently the Finance Director) is responsible for setting access levels for all members of staff using the system.
- 1105 A set of training manuals is held centrally and can be accessed by finance staff.
- 1106 The finance system is hosted on the 'PS Cloud' and PSF are responsible for ensuring back-ups of the system are taken on a regular basis.
- 1107 Financial data (working papers etc) are held on the WBS server. The WBS ICT Systems Manager is responsible for ensuring that there is effective back up procedures for the server.

Account Structure/Chart of Accounts

- 1108 The EMET general ledger structure comprises companies, nominal codes and account codes. It is essential that academies adopt the EMET chart of accounts on joining the trust, so as to ensure consistency of financial reporting. Any requests for changes to the EMET chart of accounts should be made to the EMET Finance Director for approval and implementation on the system. If approved, the change will be circulated out to all EMET academies.

Income

- 1109 The main sources of income for academies within EMET are the grants from the ESFA and the Local Authority. The Central Finance Team will maintain a record of all non-invoiced income due such as the GAG, the pupil premium, the catch up premium, HLN and AFN funding and monitor to ensure its receipt.
- 1110 The monthly GAG funding from the ESFA is paid directly into Academy bank accounts.
- 1111 The Finance Manager is responsible to ensure that the school submits applications to the relevant funding

authority for available funding. The Finance Director will maintain an overview and support academies in claiming funding in line with entitlement from funding bodies such as ESFA and the Local Authority.

1112 Academies also obtains income from:

- Students/parents, mainly for catering and school fund (trips, fundraising etc); and
- The public, mainly for lettings.

1112 Each Academy should ensure that there is a robust system in place for managing the income and expenditure associated with the school fund i.e. school trips, fund raising and other student related transactions. The school fund procedures should be documented within the Finance Procedures manual and should be designed to ensure appropriate segregation of duties.

1113 School fund transactions need entering on the PSF system on the Trips Ledger.

Sundry debtor management

1114 The Finance Director, in conjunction with the Head teacher, should ensure that there is a robust system in place for identifying and receiving income due to the school for lettings and other activities. Procedures should be documented within the Finance Procedures manual and should be designed to ensure appropriate segregation of duties.

1115 All fees and charges applied should be made in line with the charging and remissions or lettings policies as applicable. Where uncertainty exists the finance manager and head teacher should agree a price which ensures full cost recovery. An additional rate of return may be applied when in a commercial environment. Wherever possible prices to be charged should be agreed in writing in advance of the activity or service taking place.

1116 Sales should be invoiced promptly. Outstanding debts should be chased and records of communications maintained. The Finance Team will review the Aged Debtors report at least monthly and ensure that the debt recovery process is being followed.

1117 Where a debt is required to be written off the following approval levels have been set:

- Up to £1,000 – the head teacher
- Between £1,000 and £5,000 – The Lead Finance Governor
- Between £5,000 and 1% of total annual income or £45,000 (whichever is smaller) – LGB
- Above 1% of total annual income or £45,000 (whichever is smaller) - ESFA

1118 Bad debts written off should be posted to the bad debt nominal.

1119 A provision for bad debts may be made at the end of a financial year where efforts are still continuing to chase an outstanding payment but the receipt of said debt is looking increasingly unlikely. Provisions should be reviewed and if no longer required or the debt is written off then the provision should be cancelled.

1120 Credit notes should not be issued without prior authority from the Finance Manager (or if the Finance Manager raised the invoice, the Finance Director).

1121 A receipt should be issued for all cash and cheques received where no other formal documentation exists.

Catering

- 1122 Payments for catering will be handled differently in each Academy within the Trust. Academies are responsible for ensuring that robust procedures are in place for the receipt and allocation of payments for catering.
- 1123 Where cashless catering systems are used, income should only be recognised in the accounts at the point of sale. Money put onto the pupils' accounts should be held in a deferred income control account.

Expenditure – Payroll

- 1124 Payroll is managed by the Central HR Team.
- 1125 EMET have a preferred payroll provider. In order to realise benefits from standardisation across the Trust, the Trustees require all academies within EMET to use this system.
- 1126 All employees of the Trust are paid Monthly by BACs payment.
- 1127 The Central HR Team must ensure that data relating to employees is submitted to the payroll provider via a secure method.
- 1128 Access to the portal is obtained using passwords and security questions.
- 1129 New users for the portal must be approved by the HR Director or Finance Director.
- 1130 A payroll processing timetable is issued to schools prior to the beginning of each financial year and this details the key deadlines in the monthly payroll process.
- 1131 Changes to personnel records including starters and leavers, changes to rates of pay, overtime payments and deductions are made via the portal. Appropriately authorised supporting documents such as contracts of employment, overtime claim forms and absence request forms are retained.
- 1132 Dataplan provide a copy of the payslip for each member of staff and an Analysis of pay for period by individual and this information is checked to expected payments and approved by the HR Managers or a person independent of the person who inputs new starter details and etc. They should ensure that only payments that have the necessary authorisation have been made.
- 1133 When the payroll has been checked and required amendments made the HR Manager approves the payroll on the secure payroll portal.

Expenditure - Purchasing

- 1132 EMET requires the best possible value for money from all purchases by academies. This means sourcing optimised requirements in the correct quality, quantity and time at the best price possible. Public funds are used to finance the majority of requirements and integrity must be maintained by following the general principles of:
- **Probity**, it must be demonstrable that there is no corruption or private gain involved in the contractual relationships of the academy;
 - **Accountability**, the academy is publicly accountable for its expenditure and the conduct of its affairs;
 - **Fairness**, that all those dealt with by the academy are dealt with on a fair and equitable basis.
- 1133 Budget holders should be informed of the budget available to them as early as possible prior to the start of the academic year. It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent.

- 1134 Any person who is responsible for placing an order with a supplier with whom he or she has a personal interest must disclose this on a Disclosure of Business Interests form, and inform the Finance Manager.
- 1135 EMET operate a 'No purchase order, no Pay' policy. All goods and services must have a purchase order and this must be listed on the invoice; the exceptions are:
- Utilities
 - Transport (ad hoc only)
 - Catering
 - Rent or business rates
- 1136 All orders must be made via the accounting system. The order must be approved by the Budget Holder and the individual within the school with the relevant authority according to the value of the order. Each academy has an authorisation matrix, maintained by the finance team within PSF. Authorised orders are e-mailed to the supplier. See summary of delegated authority in Appendix 1.
- 1137 In an emergency only a telephone order is permitted, but a confirmation order must be raised.
- 1138 ESFA has specific requirements for leasing transactions. Academies should consult the Academies Financial Handbook for further details. In case of any doubt, contact the Finance Director.
- 1139 Routine purchases up to £5,000 can be ordered by budget holders from the list of approved suppliers maintained on PSF. A quote or price must always be obtained before any order is placed. If the 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 must be discussed and agreed with the Finance Manager.
- 1140 For orders over £5,000 but less than £50,000 at least three written quotations should be obtained to identify the best source of the goods/services. Written details of quotations obtained should be prepared and passed to the Finance Team for audit purposes. Telephone quotes are acceptable if these are evidenced and faxed/e-mail confirmation of quotes has been received before a purchase decision is made. In circumstances where obtaining 3 quotations is impractical the reasons for not following these procedures will be reported to the Finance Director. The budget holder should retain the evidence of all quotes received **and** on placing the order should send a copy of all 3 quotes to the Finance Team, referencing the order number and any relevant information regarding the decision.
- 1141 All goods/services ordered with a value over £50,000, or for a series of contracts which in total exceed £50,000 must be subject to formal tendering procedures. Purchases over £172,514 for goods and services and £4,322,012 for Works (threshold from 26/02/2015) may fall under EU procurement rules which requires advertising in the Official Journal of the European Union. Guidance on the OJEU thresholds is given in Appendix 3d to the Academies Financial Handbook. Further information can also be found on www.ojec.com. See appendix 2 for further information regarding Tendering
- 1142 Contracts and agreements must not be entered into for periods of longer than three years without approval of the Finance Trustees.
- 1143 Budget holders must make appropriate arrangements for the delivery of goods to the academy. The goods should be checked on receipt against the order and a record made of any discrepancies. Discrepancies should be communicated in writing with the supplier of the goods without delay.
- 1144 Delivery notes should be retained by the budget holder and checked against the appropriate invoice. Once the budget holder has confirmed delivery of the items against the invoice, delivery notes do not need to be kept.

- 1145 If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Finance Team should be notified. Care should be taken to ensure that the terms and conditions of the supplier are followed when returning goods.
- 1146 Purchase invoices should be sent directly to the Finance Team. A copy of the invoice will then be sent to the appropriate budget holder for approval. The invoice is stored electronically in the PS Financials system.
- 1147 Purchase credit notes should be requested for all non-deliveries, damaged stock or order/invoice price discrepancies etc. These should be processed in the same way as invoices.
- 1148 Pro-forma invoices - If payment is required in advance of the goods or services being delivered the Finance Manager should consider the implications of having to pay in advance as there is a risk of non-delivery of goods or provision of services. Payment by charge card should be considered as an alternative option.
- 1149 Supplier statements should be sent to the Finance Team. They should be checked against the ledger on receipt and any discrepancies between the ledger and the statement addressed with the supplier. The latest copy of each supplier's statement should be retained, along with a written note of communications made to resolve discrepancies.
- 1150 The Finance Manager should review the aged creditors report at least monthly and address outstanding transactions.
- 1151 Payments must only be made to a supplier once the goods and services have been received and checked and confirmed as being satisfactory, and on receipt of a proper invoice which has been received, checked, coded and certified for payment in accordance with authorised delegated authorities.
- 1152 Payments, where possible, should be made by BACS and processed up to once per week in term time. All payments require approval by a minimum of two authorised online signatories. Detailed notes for the payment of invoices can be found in the procedures manual.
- 1153 Additions and amendments to supplier records in PSF must be strictly controlled. A 'new supplier / supplier amendment' form must be completed and authorised by the Finance Manager before any amendments are made in PSF. All new supplier forms must be filed for audit purposes.
- 1154 Cheque payments should only be used in exceptional circumstances or to make refund payments to parents/carers. All payments require approval by a minimum of two authorised signatories.. Detailed notes for the payment of invoices can be found in the procedures manual.
- 1155 There will be some suppliers for whom it is good practice to pay by Direct Debit e.g. Utilities. A system should be set up to ensure that VAT invoices for such payments are received and input onto the system promptly. A central record of approved Direct Debits should be maintained. Direct debits should be cancelled with the bank when trading with a supplier ceases. Detailed notes for the payment of invoices by direct debit can be found in the procedures manual.
- 1156 Where payments are to be made to self-employed individuals, Finance Managers should ensure that it is appropriate for this payment to go through the purchase ledger and not the payroll system. Guidance can be sought from the Finance Director or HR Director

<http://www.hmrc.gov.uk/employment-status/?ref=driverlayer.com/web>

Charge card use

- 1157 Nominated staff may be issued with a Charge Card with the agreement of the Head teacher and Finance Director. The maximum limit of £2,000 (monthly spend) is approved.
- 1158 The Card holder must maintain a record of expenditure incurred, including the charge card expenditure form signed by the budget holder, the order placed at point of sale, by telephone or use of the Internet, together with supporting receipts or vouchers. Where VAT is incurred, a valid VAT receipt should be obtained to ensure that this may be reclaimed. Details of expenditure and all receipts must be emailed to the Central Finance Team in the month in which the expenditure occurred.
- 1159 There is a charge card expenditure form which must be completed and approved by the relevant budget holder before any order is made.
- 1160 When ordering goods or services, notably via the internet, the implications of having to pay in advance should be taken into account as there is a risk of non-delivery of goods or provision of services. In addition, for internet-based purchases, card details should not be submitted unless the user is accessing a secure website.
- 1161 When considering the purchase of goods from overseas, notably via the Internet, other costs such as import duty or VAT on delivery should be taken into account as the tax position may be different. In addition, the legal position regarding non-delivery of goods and recovery of payment may be more difficult than from a UK-based trader.
- 1162 The charge card should be kept securely on the school premises. It should only be removed from the school in exceptional circumstances and should be signed out and back in.
- 1163 The charge card must not be used for personal purchases.
- 1164 Cards can be used for the withdrawal of cash from ATM machines for depositing into the Petty cash tin. Receipts must be kept and passed to the finance team
- 1165 A member of the Finance Team (but not the Finance Manager) will be responsible for reconciling the card to the charge card statement on a monthly basis and ensuring that appropriate evidence of expenditure including VAT invoices/receipts are available. Any unsupported transactions followed up with the cardholder promptly and if not resolved immediately reported to the Finance Director (or CEO).
- 1166 Any payments appearing on the charge card statement identified as not incurred by the cardholder should be reported as soon as possible to the bank and/or charge card company.
- 1167 Upon payment, the net expenditure and VAT should be allocated to the appropriate account codes in the accounting system, for reconciliation purposes and budgetary control.
- 1168 If a card is misused, the card should be immediately withdrawn from the card holder and the Finance Director (or CEO) informed for appropriate action to be taken.
- 1169 If a card is lost, the loss should be immediately reported by the cardholder to the bank and to the Finance Director. A replacement card should be requested if appropriate.
- 1170 If the cardholder leaves the school or no longer requires use of the card, the card should be handed in to the Finance Director (or CEO), who should destroy the card in accordance with accepted procedures and the bank notified.

Internal audit

- 1171 Internal auditors are appointed by the EMET Board and provide both the MAT Board and LGBs with an independent oversight of the academy's financial affairs. The main duties of the internal Auditors are to provide independent assurance that
- the financial responsibilities of the MAT Board and LGBs are being properly discharged
 - resources are being managed in an efficient, economical and effective manner
 - sound systems of internal financial control are being maintained and
 - financial considerations are fully taken into account in reaching decisions
- 1172 The Internal Auditors will undertake a twice yearly programme of reviews to ensure that financial transactions have been properly processed and that controls are operating as prescribed by the MAT. The EMET Finance Director will agree the timing and programme for internal audits in consultation with the auditors. A report of the findings from each visit will be reviewed and approved by the Finance Director before presentation to the Audit & Risk Committee, and MAT board.

12. Bank and Cash Management

Bank Accounts management

- 1201 These provisions apply to all accounts, public or private, operated by or on behalf of the Trust.
- 1202 The opening and closing of all bank accounts must be authorised by the EMET Board of Trustees.
- 1203 Online and telephone access to accounts should be set up to ensure that transactions cannot be authorised unless done so in accordance with the mandate.
- 1204 Two authorised online mandate signatories are required for all withdrawals and payments made from bank accounts.
- 1205 Cheques should not be pre-signed and unused cheques should be retained securely.
- 1206 Bank reconciliations should be performed at least monthly from bank statements to accounting records and any reconciling items should be resolved.
- 1207 Bank reconciliations should be reviewed and countersigned by the Finance Manager or Finance Director who understands the reconciliation process.
- 1208 Where practical, persons responsible for performing bank reconciliations should not be responsible for processing of receipts and payments.
- 1209 Banking should take place every week or more frequently if the sums collected exceed the insurance limit on the safe. Particulars of any deposit must be entered on a copy paying in slip, counter foil or listed in a supporting book. The details should include, the amount of the deposit, and a reference such as a receipt number or name of debtor.
- 1210 Cash collected must be banked in their entirety in the appropriate bank account.
- 1211 All cash and cheques must be kept securely on the premises and ideally in a safe.
- ### Investments
- 1212 All funds surplus to immediate requirements should be invested by the Finance Director in accordance

with the EMET Investment Policy.

Petty Cash Accounts and Cash Floats

- 1214 Each Academy may keep a petty cash tin with a maximum monthly limit of £500. The level for each academy must be approved by the Finance Director. The transaction limit may be set locally but must not exceed £50 (unless prior approval obtained from Finance Manager). The value for both will be recorded in the procedures manual. Any value more than this will be reimbursed through the expenses process.
- 1215 Claims for petty cash are presented using a petty cash claim form authorised by the appropriate budget holder. Claims can only be reimbursed on production of valid receipts attached to the claim form (VAT receipts should be provided where applicable to allow the school to reclaim the VAT element on these purchases). The receipt of cash is signed for by the claimant on the official petty cash claim form.
- 1216 The petty cash should be administered locally, and ideally by one person
- 1217 At the end of every month a reconciliation sheet of all transactions during the month is prepared at the academy, and then passed to the central finance team. This is reviewed by the finance team and checked back to the supporting documents and receipts.
- 1218 Cash can be ordered from the cash collection service to top up the float up to the agreed maximum balance for the Academy.
- 1219 The petty cash transactions should be input onto the finance system at least monthly.
- 1220 Petty cash should be held in a locking cash box and stored in the safe overnight.
- 1221 Individual schools may choose to issue cash floats. For example, to Pastoral Assistants for loans where dinner money has been forgotten, or for the regular purchase of items where access to the Petty Cash Tin is not possible. A record should be kept by the Finance Manager of all floats issued.
- 1222 The security of these floats and the keeping of records/providing supporting documents is the responsibility of the float holder. The Finance Team will review the use of these floats on a regular basis.

13. Inventory and Fixed Assets

- 1301 Inventory definition – any item of equipment with a value of over £100 or which can be classed as portable/desirable (such as a kindle)
- 1302 Fixed asset definition – Secondary schools - any tangible asset purchased which is over £2,500 in value (or where a set of items are purchased where their collective value is over £2,500). Primary Schools/Alternative Provision: any tangible asset purchased which is over £500 in value (or where a set of items are purchased where their collective value is over £500)
- 1303 All items purchased with a value over the academy's capitalisation limit must be entered onto the finance systems fixed asset ledger and a record maintained on the fixed asset register.
- 1304 All items of inventory purchased must be recorded within the EVERY system.
- 1305 The fixed asset and inventory registers are maintained to:
- ensure that staff take responsibility for the safe custody of assets;
 - enable independent checks on the safe custody of assets, as a deterrent against theft or misuse;
 - ensure that where applicable depreciation is charged correctly;

- manage the effective utilisation of assets and to plan for their replacement;
- support insurance claims in the event of fire, theft, vandalism or other disasters.

1306 All the items in the register should be permanently and visibly marked as the academy's property and there should be a regular (at least annual) count by someone other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to the governing body. Inventories of academy property should be kept up to date and reviewed regularly. Where items are used by the academy but do not belong to it this should be noted.

1307 Any asset in excess of £2,500 (Secondary) and £500 (Primary) will be assessed for capitalisation. Depreciation will be calculated as follows

Classification of asset	Depreciation rule
Freehold Land	Not depreciated
Leasehold Land	Straight line over the life of the lease
Buildings (on conversion from Academy)	Straight line over the valuation life of the building
Buildings (improvements to buildings in existence on conversion from Academy)	Straight line over the remaining valuation life of the building
Buildings (new build) *	Straight line over 50 years
Furniture and Equipment	Straight line over 5 years
Motor Vehicles	Straight line over 4 years
IT Equipment	Straight line over 3 years

* Buildings requiring high maintenance costs may require a shorter economic life prediction.

Assets should be depreciated from the first day of the month in which they are purchased, over the useful life of the asset.

1308 The ESFA have rules surrounding the acquisition and disposal of freehold land or buildings and disposal of heritage assets which can be found in the Academies Financial Handbook.

1309 The approval levels for the disposal, sale or destruction of assets (unless covered by section 1308) are:

- Assets which cost up to £2,500 - the Head teacher.
- Assets which cost between £2,500 and £10,000 – the LGB
- Assets which cost above £10,000 – Finance Director

1310 Disposal of equipment to staff is not encouraged, as it may be more difficult to evidence the academy obtained value for money in any sale or scrapping of equipment. In addition, there are complications with the disposal of computer equipment, as the academy would need to ensure licences for software programmes have been legally transferred to a new owner.

Loan of Assets

1311 Where items are borrowed for personal use a record of the loan must be recorded in a loan book and booked back in to the academy when it is returned.

1312 If assets are on loan for extended periods or to a single member of staff on a regular basis the situation may give rise to a 'benefit-in-kind' for taxation purposes. Loans should therefore be kept under review and any potential benefits discussed with the academy's auditors.

14. EMET Capital Funding, Appraisal and Expenditure

- 1401 EMET has access to the Schools Condition Allocation Capital Grant. The EMET Board of Trustees will allocate the capital funding received based on agreed project bids and strategic priorities
- 1402 Academies will prepare a list of potential projects and likely costs and benefits for the EMET Board of Trustees to consider for allocation of Capital Grant funding. EMET will prepare an initial prioritisation of projects and approve selected projects for funding and inclusion in academy budgets.
- 1403 During the budget year and before projects are initiated, academies are required to update the initial project assessment and confirm that the project can still be undertaken at the cost initially identified and will deliver the requisite benefits. EMET will then appraise the capital investment and review the funding position in order to decide whether the project should go ahead.
- 1404 During the course of construction expenditure should be controlled against the project budget and estimates to completion maintained for ongoing project control and monitoring purposes and the costs reported as assets in the course of construction.
- 1405 On project completion the relevant asset values should be analysed in accordance with the fixed asset policy and the asset register updated accordingly.

15. Stock

- 1501 Where stock is held for resale and this is a stated purpose of the department and the value of stock exceeds £1,000 then this stock will be subject to regular stock takes. The stocks should be held securely in a physical stock holding area or stores to prevent loss or damage etc and the quantity of stock held, the cost (or standard price) and value should be recorded. Stock holdings may include:
- Catering – food supplies and ingredients
 - School uniforms
 - School shop items
 - Reprographic materials (where printing services are provided to external organisations and individuals) – printing paper, stationery and print cartridges
- 1502 Stock holdings should be accounted for at least annually in the annual accounts and optionally more regularly for example in monthly management accounts.

16. Financial monitoring & reporting

- 1601 The Finance Team will produce a standard set of monthly management reports for each academy in line with the dates set in the EMET monthly accounting timetable. These reports are to be distributed to the Head teacher and LGB.
- 1602 The Finance Director will produce a consolidated EMET finance report for the EMET board Monthly. This will be distributed to the Chair of Trustees and Finance Trustees monthly, and the full board 6 times per year.
- 1603 The Finance Manager is responsible for ensuring all balance sheet accounts are reconciled each month, and that any reconciling or balancing amounts are cleared or discussed with the Finance Director. The Finance Manager should periodically review a complete record of transactions posted to the system to ensure that only regular transactions have been posted and that these have been accounted for against the correct account and nominal codes.
- 1604 The ESFA Financial Handbook requires that monthly management accounts are prepared on an accruals basis. Finance Managers should ensure that adjustments are made for prepayments, accruals, deferred

income and accrued income.

- 1605 Budget holders have access to their budget reports within the PS Purchasing system. This is a live system and can be checked at any time in the month.
- 1606 Any potential overspend against any individual budget must in the first instance be discussed by the budget holder and Finance Manager.
- 1607 The Finance Manager is responsible for preparing a monthly cash flow forecast to ensure that the academy has sufficient funds available to pay for day to day operations. If forecast cash balances are significant, steps should be taken to invest the extra funds. Similarly, where the forecast identifies a potential cash shortage plans should be made to transfer funds from another bank account or to re-profile expenditure. Where a deficit cash position cannot be avoided it may be necessary to apply to the ESFA for an advance of GAG. The Finance Director should be made aware as early as possible as to this risk.
- 1608 The Finance Director will produce a consolidated EMET cash flow report for the EMET board Monthly. This will be distributed to the Chair of Trustees and Finance Trustees monthly, and the full board 6 times per year.

17. Year-end

- 1701 The annual accounts are prepared by the EMETs external Auditors, supported by the Finance Managers and Finance Director.
- 1702 In advance of year end the Finance Director will:
- Agree a date for the external audit with the Auditors
 - Agree with the external audit team a list of required documentation to be available at the external audit
- 1703 Following the year end audit, the auditors will:
- produce the annual statements of accounts;
 - present the annual accounts to the Audit Committee; and
 - produce the annual accounts return for the ESFA.
- 1704 The Finance Director is responsible for ensuring that ESFA requirements on the submittal of the Annual Accounts are met. These are:
- Audited year-end accounts and management letter to be sent to the ESFA by 31st December each year.
 - Annual Accounts Return to be submitted to the ESFA during January each year (deadline set by ESFA annually)
 - Audited year-end accounts to be filed with Companies house by the 31st May each year.
- 1705 The company secretary is responsible for ensuring that the annual accounts are published on the EMET website no later than the 31st January following the financial year to which the accounts relate.

18. Retention of documents

- 1801 Financial documents are retained for six years plus current year for VAT purposes.

1802 Annual Statements of accounts should be retained indefinitely.

Policy reviewed & adopted :	September 2020
Reviewed by:	Finance Director
Adopted by:	Trustees
Next review due:	September 2021

Appendix 1 - PSF - Levels of Authority

	Primary	Secondary	Alternative Provision
Up to £1,000	Business Manager	Budget Holder	Business Manager
£1,000 - £5,000	Head teacher	SLT/Head teacher	Head teacher
£5,000 - £50,000	Finance Manager	Finance Manager	Finance Director
£50,000 - £100,000	Finance Director/CEO	Finance Director/CEO	Finance Director/CEO
Over £100,000	Board of Trustees	Board of Trustees	Board of Trustees

Appendix 2 – Tendering

Forms of Tenders

1 There are three forms of tender procedure: open, restricted and negotiated and the circumstances in which each procedure should be used are described below.

- **Open Tender:** This is where all potential suppliers are invited to tender. The budget holder must discuss and agree with the Finance Manager and Finance Director how best to advertise for suppliers e.g. general press, trade journals or to identify all potential suppliers and contact directly if practical. This is the preferred method of tendering, as it is most conducive to competition and the propriety of public funds.
- **Restricted Tender:** This is where suppliers are specifically invited to tender. Restricted tenders are appropriate where:
 - there is a need to maintain a balance between the contract value and administrative costs,
 - a large number of suppliers would come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the academy's requirements,
 - the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.
- **Negotiated Tender:** The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances:
 - the above methods have resulted in either no or unacceptable tenders,
 - only one or very few suppliers are available,
 - extreme urgency exists,
 - additional deliveries by the existing supplier are justified.

Preparation for Tender

2 Full consideration should be given to:

- objective of project
- overall requirements
- technical skills required
- after sales service requirements
- form of contract.

- 3 It may be useful after all requirements have been established to rank requirements (e.g. mandatory, desirable and additional) and award marks to suppliers on fulfilment of these requirements to help reach an overall decision.

Invitation to Tender

- 4 If a restricted tender is to be used, then an invitation to tender must be issued. If an open tender is used an invitation to tender may be issued in response to an initial enquiry.

- 5 An invitation to tender should include the following:

- introduction/background to the project;
- scope and objectives of the project;
- technical requirements;
- implementation of the project;
- terms and conditions of tender and
- form of response.

Aspects to Consider

Financial

- 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?

Technical/Suitability

- Qualifications of the contractor
- Relevant experience of the contractor
- Descriptions of technical and service facilities
- Certificates of quality/conformity with standards
- Quality control procedures
- Details of previous sales and references from past customers.

Other Considerations

- Pre sales demonstrations
- After sales service
- Financial status of supplier. Suppliers in financial difficulty may have problems completing contracts and in the provision of after sales service. It may be appropriate to have an accountant or similarly qualified person examine audited accounts etc.

Tender Acceptance Procedures

- 6 The invitation to tender should state the date and time by which the completed tender document should be received by the academy. Tenders should be submitted in plain envelopes clearly marked to indicate they contain tender documents. The envelopes should be time and date stamped on receipt and stored in a secure place prior to tender opening. Tenders received after the submission deadline should not normally be accepted.

Tender Opening Procedures

- 7 All tenders submitted should be opened at the same time and the tender details should be recorded. Two persons should be present for the opening of tenders as follows:
- For contracts up to £50,000 - two of the budget holder, the Business Manager, Estates Director or the Head Teacher;
 - For contracts over £50,000 - either the Finance Manager/Director, Services Director or the Head Teacher plus the Trustee for Finance. Alternatively, if the project is architect controlled the tendering opening process is delegated to that firm of Architects under the supervision of the Director of Services and school Day.
- 8 A separate record should be established to record the names of the firms submitting tenders and the amount tendered. This record must be signed by both people present at the tender opening.

Tendering Procedures

- 9 The evaluation process should involve at least two people. Those involved should disclose all interests, business and otherwise, that might impact upon their objectivity. If there is a potential conflict of interest, then that person must withdraw from the tendering process.
- 10 Those involved in making a decision must take care not to accept gifts or hospitality from potential suppliers that could compromise or be seen to compromise their independence.
- 11 Where required by the conditions attached to a specific grant from the EFA, the department's approval must be obtained before the acceptance of a tender.
- 12 The accepted tender should be the one that is economically most advantageous to the academy. All parties should then be informed of the decision.

Architect controlled projects

- 13 Where a building project is architect controlled the operation of the tendering process is delegated to him under the supervision of the Services Director / Services Manager.