



East Midlands
Education Trust

FINANCE POLICY

Autumn 2022

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1 Introduction and scope

- 1.1 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 Academy Trust Handbook (ATH), Charity Law and the Funding Agreement (FA). The summary of freedoms and delegations as stipulated in the ATH is included in appendix 2.
- 1.2 The Finance Policy must be read in conjunction with the Academies Financial Handbook <https://www.gov.uk/government/publications/academies-financial-handbook>
- 1.3 Supplemental to the Finance Policy the Financial Procedures Manual provides additional process details and template documents.
- 1.4 Academies must at all times act in accordance with the EMET Finance Policy its Financial Procedures Manual and the ATH published annually by the ESFA.

2 Organisation - EMET

- 2.1 EMET is a Multi-Academy Trust (MAT).
- 2.2 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.
- 2.3 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.
- 2.4 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.
- 2.5 On joining EMET each academy agrees a Terms of Reference (TOR) 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.
- 2.6 The EMET Board of Trustees has responsibility for the oversight of the finances of the MAT,

including compliance with the ATH and the financial and accounting requirements detailed within the Funding Agreement.

- 2.7 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.
- 2.8 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 CFO.
- 2.9 The EMET CFO works in close collaboration with the CEO through whom he or she is responsible to the EMET Board of Directors and governors. The CFO also has direct access to the Trustees and is present at Trustees' meetings when finance issues are scheduled.
- 2.10 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
- 2.11 Each 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

- 3.1 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.
- 3.2 The head teacher has overall executive responsibility for each academy's activities including financial activities – refer to TORs for individual responsibilities.
- 3.3 A Trust Finance Business Partner is allocated to each school, and works in close collaboration with the head teacher.
- 3.4 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

- 4.1 Trustees, Members, Local Governors, the Executive Leadership Team, extended Executive Leadership Team, Headteachers, members of senior leadership teams and budget holders in schools, are required to declare their interests in connection with their role in the trust and record this on the trusts Declaration of Interests form. .
- 4.2 The Declaration of Interest form is distributed annually, listing the types of interest that should be declared. This form is in line with the ESFA Academy Trust Handbook which requires trusts to maintain a Register of Interests which 'must capture relevant business and pecuniary interests of members and trustees of academies within a multi-academy trust and senior employees'. Further detail is included in the EMET Conflicts of Interest Policy.
- 4.3 EMET must report all related party transactions to the ESFA using the online form prior to the transaction taking place.
- 4.4 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:
 - 4.4.1 a contract exceeding £20,000
 - 4.4.2 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
 - 4.4.3 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

- 5.1 EMET 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

- 6.1 EMET is registered for VAT, under VAT number 7530373.
- 6.2 Quarterly VAT returns are completed centrally, the CFO is responsible for ensuring EMET is in compliance with all HMRC requirements.

7 Insurance

- 7.1 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 £21 per pupil. (Sept 2022)

- 7.2 EMET academies must opt into the RPA scheme.
- 7.3 The RPA scheme does not cover the following risks: motor, Engineering inspection and insurance, works of art.
- 7.4 Motor insurance is managed centrally and recharged to academies.
- 7.5 Academies must ensure that they make their own arrangements for any additional cover they require regardless of whether or not they have opted into the RPA.

8 Risk Management

- 8.1 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.
- 8.2 The Trust should consider risks to the overall operations and maintain an up to date risk register.
- 8.3 The CFO will 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 of the major risks to which the MAT is exposed and the systems that have been put in place to mitigate those risks.

9 EMET recharges for central services

- 9.1 EMET operates a system of “top slicing” GAG income received. This will be decided by the Board of Trustees annually, in conjunction with LGBs.
- 9.2 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

- 10.1 The EMET Trustees require all academies to set a three years’ budget plan as part of the annual budget process. The budget will be continually monitored throughout the year by head teachers, CFO and Finance Business Partners. Budget Holders are also responsible for monitoring their budgets regularly in the PS Purchasing system.

- 10.2 The key steps in the annual budget setting process are
- 10.2.1 February/March – ESFA issue GAG (Funding statements)
 - 10.2.2 March - The budget is set by the Finance Business Partner, in conjunction with the Head teacher and Leadership Team (New financial in detail year plus forecast for two further years)
 - 10.2.3 April - The budget is reviewed by the EMET CFO
 - 10.2.4 April - The budget is reviewed and approved by the LGB
 - 10.2.5 May - The budget is reviewed and approved by the EMET Trustees; Trustees may require LGBs to produce revised budgets following this meeting.
 - 10.2.6 July - A summary of any updated budgets will be presented by the CFO to be reviewed and approved by the EMET Trustees prior to submission to the ESFA
- 10.3 The CFO is responsible for establishing a set of key assumptions to be applied when setting the budgets.
- 10.4 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.
- 10.5 The EMET CFO produces the EMET consolidated budget.

11 Accounting system and controls

Accounting system

- 11.1 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.
- 11.2 All the financial transactions of member academies must be recorded on the accounting system. The accounting system is operated by the Central Finance Department.
- 11.3 Entry to the accounting system is password restricted and the Systems Administrator (CFO) is responsible for implementing a system which ensures that passwords are changed at least every 30 days for all system users.
- 11.4 Passwords to the system must not be shared under any circumstances.
- 11.5 Access to the component parts of the accounting system can also be restricted and the Systems Administrator (CFO) is responsible for setting access levels for all members of staff using the system.
- 11.6 A set of training manuals is held centrally and can be accessed by finance staff.

- 11.7 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.
- 11.8 Financial data (working papers etc) are held on the Microsoft Cloud; the EMET IT Director is responsible for ensuring there is an effective back up procedure in place.

Account Structure/Chart of Accounts

- 11.9 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 CFO for approval and implementation on the system.

Income

- 11.10 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.
- 11.11 The monthly GAG funding from the ESFA is paid directly into Academy bank accounts.
- 11.12 The Finance Business Partner is responsible to ensure that the school submits applications to the relevant funding authority for available funding. The CFO will maintain an overview and support academies in claiming funding in line with entitlement from funding bodies such as ESFA and the Local Authority.
- 11.13 Academies also obtains income from:
 - 11.13.1 Students/parents, mainly for catering and school fund (trips, fundraising etc); and
 - 11.13.2 The public, mainly for lettings.
- 11.14 Each Academy should ensure that there is a robust system in place for managing the income and expenditure associated with trips or parental income i.e. school trips, fund raising and other student related transactions, via a cashless payment system. These procedures should be documented by each school and should be designed to ensure appropriate segregation of duties.

Sundry debtor management

- 11.15 The CFO, in conjunction with the Head teacher, will ensure that there is a robust system in place

for identifying and receiving income due to the school for lettings and other activities. Procedures are documented within the Finance Procedures manual and are designed to ensure appropriate segregation of duties.

- 11.16 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 business partner 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.
- 11.17 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.
- 11.18 Where a debt is required to be written off the following approval levels have been set:
 - 11.18.1 Up to £1,000 – the head teacher
 - 11.18.2 Between £1,000 and £5,000 – The Lead Finance Governor
 - 11.18.3 Between £5,000 and 1% of total annual income or £45,000 (whichever is smaller) – LGB
 - 11.18.4 Above 1% of total annual income or £45,000 (whichever is smaller) - ESFA
- 11.19 Bad debts written off should be posted to the bad debt nominal.
- 11.20 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.
- 11.21 Credit notes should not be issued without prior authority from the Financial Controller (or if the Financial Controller raised the invoice, the CFO).
- 11.22 A receipt should be issued for all cash and cheques received where no other formal documentation exists.

Catering

- 11.23 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.
- 11.24 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

- 11.25 Payroll data input is managed by the Central HR Team, payroll approval is completed by the Central Finance Team.
- 11.26 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.
- 11.27 All employees of the Trust are paid Monthly by BACs payment.
- 11.28 The Central HR Team must ensure that data relating to employees is submitted to the payroll provider via a secure method.
- 11.29 Access to the portal is obtained using passwords and security questions.
- 11.30 New users for the portal must be approved by the Operations Director or CFO.
- 11.31 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.
- 11.32 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.
- 11.33 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 Finance Business Partner. They should ensure that only payments that have the necessary authorisation have been made.
- 11.34 When the payroll has been checked and required amendments made the Finance Business Partner approves the payroll on the secure payroll portal.

Expenditure – Purchasing

- 11.35 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:
 - 11.35.1 **Probity**, it must be demonstrable that there is no corruption or private gain involved in the contractual relationships of the academy;

- 11.35.2 **Accountability**, the academy is publicly accountable for its expenditure and the conduct of its affairs;
- 11.35.3 **Fairness**, that all those dealt with by the academy are dealt with on a fair and equitable basis.
- 11.36 EMET funds **must not** be used to purchase alcohol for consumption.
- 11.37 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.
- 11.38 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 Business Partner.
- 11.39 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:
 - 11.39.1 Utilities
 - 11.39.2 Transport (ad hoc only)
 - 11.39.3 Catering
 - 11.39.4 Rent or business rates
- 11.40 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.
- 11.41 In an emergency only a telephone order is permitted, but a confirmation order must be raised.
- 11.42 ESFA has specific requirements for leasing transactions Academies must discuss with the Procurement Manager or CFO prior to entering into any new leases.
- 11.43 The Procurement Policy has further details on thresholds and limits within the procurement process.
- 11.44 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.
- 11.45 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.

- 11.46 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.
- 11.47 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.
- 11.48 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.
- 11.49 Pro-forma invoices - If payment is required in advance of the goods or services being delivered the Procurement 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.
- 11.50 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.
- 11.51 The Financial Controller should review the aged creditors report at least monthly and address outstanding transactions.
- 11.52 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.
- 11.53 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 finance procedures manual.
- 11.54 Additions and amendments to supplier records in PSF must be strictly controlled, see the EMET Procurement Policy for further details.
- 11.55 Cheque payments should only be used in exceptional circumstances. All payments require approval by a minimum of two authorised signatories. Detailed notes for the payment of invoices can be found in the finance procedures manual.
- 11.56 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.

- 11.57 Where payments are to be made to self-employed individuals, the Procurement Manager will review this as part of the new supplier process, and 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 HR Team.

Charge card use

- 11.58 Nominated staff may be issued with a Charge Card with the agreement of the Head teacher and CFO. The maximum limit of £2,000 (monthly spend) is approved. The maximum limit can be increased in exceptional circumstances, approval is required from the CFO and card holders should allow 3 working days for the increase to take effect.
- 11.59 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.
- 11.60 There is a charge card expenditure form which must be completed and approved by the relevant budget holder before any order is made.
- 11.61 The charge card should not be used to circumvent procurement processes, purchases should be made using purchase orders where possible.
- 11.62 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.
- 11.63 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.
- 11.64 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.
- 11.65 The charge card must not be used for personal purchases.

- 11.66 Cards can be used for the withdrawal of cash from ATM machines with prior approval from the CFO. The finance team should be notified of cash withdrawals 1 month before the cash is required and schools should withdraw the cash 1 week before it is required. Receipts must be kept and passed to the finance team.
- 11.67 A member of the Finance Team) 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 CFO.
- 11.68 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.
- 11.69 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.
- 11.70 If a card is misused, the card should be immediately withdrawn from the card holder and the CFO informed for appropriate action to be taken.
- 11.71 If a card is lost, the loss should be immediately reported by the cardholder to the bank and to the CFO. A replacement card should be requested if appropriate.
- 11.72 If the cardholder leaves the school or no longer requires use of the card, the card should be handed in to the CFO, who should destroy the card in accordance with accepted procedures and the bank notified.

Internal audit

- 11.73 Internal auditors are appointed by the EMET Board of Trustees 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
- 11.73.1 the financial responsibilities of the MAT Board and LGBs are being properly discharged
 - 11.73.2 resources are being managed in an efficient, economical and effective manner
 - 11.73.3 sound systems of internal financial control are being maintained and
 - 11.73.4 financial considerations are fully taken into account in reaching decisions
- 11.74 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 CFO 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 CFO before presentation to the Audit & Risk Committee, and MAT board.

12 Bank and Cash Management

Bank Accounts management

- 12.1 These provisions apply to all accounts, public or private, operated by or on behalf of the Trust.
- 12.2 The opening and closing of all EMET bank accounts must be authorised by the EMET Board of Trustees. It is a requirement that for any schools joining EMET, their existing bank accounts will be closed as soon as possible once all transactions are reconciled.
- 12.3 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.
- 12.4 Two authorised online mandate signatories are required for all withdrawals and payments made from bank accounts.
- 12.5 Cheques should not be pre-signed and unused cheques should be retained securely.
- 12.6 Bank reconciliations should be performed at least monthly from bank statements to accounting records and any reconciling items should be resolved.
- 12.7 Bank reconciliations should be reviewed and countersigned by the Finance Manager, Financial Controller or CFO
- 12.8 Where practical, persons responsible for performing bank reconciliations should not be responsible for processing of receipts and payments.
- 12.9 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.
- 12.10 Cash collected must be banked in their entirety in the appropriate bank account.
- 12.11 All cash and cheques must be kept securely on the premises and ideally in a safe.

Investments

- 12.12 All funds surplus to immediate requirements should be invested by the CFO in accordance with the EMET Investment Policy.

Petty Cash Accounts and Cash Floats

- 12.13 Petty Cash should not be kept on school premises unless authorised by the CFO. If a petty cash

tin is authorised, the academy may keep a petty cash tin with a maximum monthly limit of £500. The transaction limit may be set locally but must not exceed £50 (unless prior approval obtained from CFO). The value for both will be recorded in the procedures manual. Any value more than this will be reimbursed through the expenses process, see EMET Expenses Policy.

- 12.14 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.
- 12.15 The petty cash should be administered locally, and ideally by one person
- 12.16 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.
- 12.17 Cash can be ordered from the cash collection service to top up the float up to the agreed maximum balance for the Academy.
- 12.18 The petty cash transactions should be input onto the finance system at least monthly.
- 12.19 Petty cash should be held in a locking cash box and stored in the safe overnight.

13 Inventory

- 13.1 Inventory definition – any item of equipment with a value of over £100 or which can be classed as portable/desirable (such as a kindle)
- 13.2 All items of inventory purchased must be recorded within the EVERY system.
- 13.3 The inventory register is maintained to:
 - 13.3.1 ensure that staff take responsibility for the safe custody of assets;
 - 13.3.2 enable independent checks on the safe custody of assets, as a deterrent against theft or misuse;
 - 13.3.3 manage the effective utilisation of assets and to plan for their replacement;
 - 13.3.4 support insurance claims in the event of fire, theft, vandalism or other disasters.
- 13.4 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.

Loan of Assets

- 13.5 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.
- 13.6 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 Fixed Assets

- 14.1 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)
- 14.2 All items purchased with a value over the academy's capitalisation limit must be entered onto the finance system's fixed asset ledger and a record maintained on the fixed asset register.
- 14.3 The fixed asset register is maintained to:
 - 14.3.1 ensure an accurate value of assets is recorded in the Trust accounts;
 - 14.3.2 ensure that where applicable depreciation is charged correctly.
- 14.4 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.

- 14.5 Assets should be depreciated from the first day of the month in which they are purchased, over the useful life of the asset.
- 14.6 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 ATH.
- 14.7 The approval levels for the disposal, sale or destruction of assets (unless covered by section 1308) are:
 - 14.7.1 Assets which cost up to £2,500 - the Head teacher.
 - 14.7.2 Assets which cost between £2,500 and £10,000 – the LGB
 - 14.7.3 Assets which cost above £10,000 – CFO
- 14.8 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.
- 14.9 A record of disposals must be sent to the EMET Finance Team on a termly basis.

15 Stock

- 15.1 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:
 - 15.1.1 Catering – food supplies and ingredients
 - 15.1.2 School uniforms
 - 15.1.3 School shop items
 - 15.1.4 Reprographic materials (where printing services are provided to external organisations and individuals) – printing paper, stationery and print cartridges.
- 15.2 Stock holdings should be accounted for in the monthly management accounts.

16 Financial monitoring & reporting

- 16.1 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.

- 16.2 The CFO 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.
- 16.3 The Financial Controller 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 CFO. The Financial Controller 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.
- 16.4 The ATH requires that monthly management accounts are prepared on an accrual basis. The Financial Controller should ensure that adjustments are made for prepayments, accruals, deferred income and accrued income.
- 16.5 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.
- 16.6 Any potential overspend against any individual budget must in the first instance be discussed by the budget holder and Finance Business Partner.
- 16.7 The Financial Controller 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 CFO should be made aware as early as possible as to this risk.
- 16.8 The CFO 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

- 17.1 The annual accounts are prepared by the EMETs external Auditors, supported by the Financial Controller and CFO.
- 17.2 In advance of year end the CFO will:
 - 17.2.1 Agree a date for the external audit with the Auditors
 - 17.2.2 Agree with the external audit team a list of required documentation to be

available at the external audit

17.3 Following the year end audit, the auditors will:

- 17.3.1 produce the annual statements of accounts;
- 17.3.2 present the annual accounts to the Audit Committee; and
- 17.3.3 produce the annual accounts return for the ESFA.

17.4 The CFO is responsible for ensuring that ESFA requirements on the submittal of the Annual Accounts are met. These are:

- 17.4.1 Audited year-end accounts and management letter to be sent to the ESFA by 31st December each year.
- 17.4.2 Annual Accounts Return to be submitted to the ESFA during January each year (deadline set by ESFA annually)
- 17.4.3 Audited year-end accounts to be filed with Companies house by the 31st May each year.

17.5 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

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

18.2 Annual Statements of accounts should be retained indefinitely.

Appendix 1 - PSF - Levels of Authority

	Primary	Secondary	Alternative Provision
Up to £1,000	Business Manager	Budget Holder	Business Manager
£1,001 - £20,000	Head teacher	SLT/Head teacher	Head teacher
£20,001 - £75,000	Finance Business Partner	Finance Business Partner	CFO
£75,001 - £100,000	CFO /CEO	CFO /CEO	CFO /CEO
Over£100,000	Finance Trustees	Finance Trustees	Finance Trustees

Appendix 2 - Academy Trust Handbook – Summary of freedoms and delegations

Novel, contentious and repercussive	Novel, contentious and repercussive transactions	ESFA agreement required
Special payments	Staff severance and compensation	ESFA agreement required if £50,000 or more before tax
	Ex gratia payments	ESFA agreement required
Write-offs and liabilities (subject to £250,000 ceiling)	Writing-off debts and losses	ESFA consent required if exceeds 1% of annual income or £45,000 individually; or 2.5% or 5% of annual income cumulatively
	Entering into indemnities (beyond the normal course of business), guarantees or letters of comfort	ESFA consent required if exceeds 1% of annual income or £45,000 individually; or 2.5% or 5% of annual income cumulatively
Acquisition and disposal of fixed assets	Acquiring freehold land/buildings	ESFA agreement required
	Disposing of a freehold on land/buildings	ESFA agreement required
	Disposing of heritage assets	ESFA agreement required
	Other disposals	Trust has full discretion
Leasing	Taking up a finance lease	ESFA agreement required
	Taking up a leasehold on land and buildings	ESFA agreement if lease term seven years or more
	Taking up any other lease	Trust has full discretion
	Granting a lease on land and buildings	ESFA agreement required

GAG	GAG carry forward	No limits if trust eligible
	Pooling by trusts with multiple academies	No limits (except PFI) if trust eligible
Borrowing	Loan, overdraft	ESFA agreement required
	Credit cards (for business use)	Trust has full discretion provided charges not incurred
Related party transactions	Supplies to the trust from related parties	ESFA agreement required over £20,000 and over associated limits