

The King's C of E School

FINANCIAL MANAGEMENT AND REPORTING

Mission Statement

'Aspire, Believe and Achieve Together'

So that all members of the School community can...

- Learn and worship in the name of God - Father, Son and Holy Spirit - revealed in the life, death and resurrection of Jesus Christ and value, respect and celebrate all faiths and cultures.
- Believe in themselves and become successful adults – developing their vision, faith, ambition and aspirations.
- Develop a resilience and inner strength to overcome life challenges.
- Embrace life-enriching experiences and make well-informed lifestyle choices that promote health and wellbeing.
- Develop thinking skills and transferable skills, working in partnership to become life-long learners.

INTRODUCTION

Subject to the provisions of Section 49 of the School Standards and Framework Act the Governing Body can spend the delegated budget for the purposes of the School and on any additional purposes prescribed within the act.

Much of the School's life is directly or indirectly controlled by the School budget. The School has in fact three major budgets to manage:

- 1) Delegated Budget - The delegated budget approximately £5 million per annum - often referred to as the 'budget'. Funding for resources is transferred to the School's bank account in three (roughly equal) instalments.
- 2) Private Funds – School Fund Account (turnover of approx. £20,000), Devolved Formula Capital Account and the Building Fund Account are subject to the same standards of financial management as the main budget including audit arrangements.
- 3) Central/Earmarked Funds - These are fund allocations, e.g. grants, that are additional to the Schools' Delegated Budget. Such funding is subject to conditions setting out the purpose(s) to which the funds may be put. These conditions need not necessarily preclude virement except where the funding is supported by a specific grant which the LA itself is not permitted to vire or specific terms of reference are set by the LA. The LA may require that such funds, which remain unspent at a certain date are returned to the LA.

In managing the delegated budget the School must abide by the LA's requirements on financial controls and monitoring. This allows the LA to discharge its legal responsibility and ensures that the affairs of the LA are efficiently and properly administered.

The School can be required by the LA to provide details of expected and actual expenditure and income, e.g.

- bank account returns;
- certification of bank balance at the year end;
- termly financial reports providing a forecast final budget position in the format prescribed by the LA;
- information relating to the Consistent Financial Reporting (CFR) scheme to enable the LA to meet its statutory requirements;

The constant monitoring, evaluating and reviewing of the budget is crucial if it is to be deployed in a dynamic and effective way. The management of the budget should also provide the mechanics of accountability for budget holders and managers.

Budget planning is a protracted process and must be completed before any more than a small proportion of the prospective budget can be allocated. The formation and management of the budget should always endeavour to ensure that all available funding is used to meet the School's 'Aims and Objectives' and other priorities as identified in the School Improvement Plan and changing needs.

SECTION 1: BUDGET PLANNING

The day to day steering and strategic budget planning has been delegated by the Governors to the Principal. The Principal consults closely at all stages with the Business Manager.

Budget holders are involved at various points and their Development Plans are pivotal in planning some aspects of the budget. The Chair of Governors or another governor will attend important meetings concerned with budget planning, and a Governors Resource and Finance Committee meeting is required to endorse the proposed budget.

The school is required to submit a budget plan to the LA no later than 31st May each year. This budget plan must state the assumptions which underpin it and detail the School's planned expenditure for the financial year. The budget should always be prudent and avoid a deficit on the reserves. The format of the budget plan is as specified by the LA each year. The LA also requires the submission of revised plans. Such revised plans are required at intervals of three months or more.

The LA provides the School with income and expenditure data in the form of monthly reconciliation statement, which is necessary for efficient planning by the School. The Principal/Business Manager is responsible for ensuring that the monthly reconciliation statement is input into the School's financial management information system (FMS) as soon as possible (Financial Regulation 4.2) and also ensure the validity of transactions contained within the statement are correct.

The payroll is the largest single budgetary consideration and much of its administration is conducted by the LA. The Business Manager liaises directly with the LA on payroll issues.

The following planning cycle attempts to provide sufficient time for all relevant factors to be considered in the formulation of the Budget.

Autumn Term

- Approval of School Improvement Plan and identify funds.
- Review of Budget Plan for Autumn Term Planning and submission to LA.
- Initial Planning and curriculum needs to be established.
- Review of School Improvement Plan and Department Development Plans.

Spring Term

January/February

- Development Planning Process begins.
- Draft budget drawn up - discussed with Principal, Chair of Governors and Chair of Resource & Finance.
- Previous year's budget analysed. Most orders committed by the end of January.

March

- Resource & Finance Committee meet to discuss proposed budget plan, along with staffing implications, etc.
- Financial Year accounts to be reconciled and preliminary allocation made for the new financial year.

Summer Term

April

- New financial year budget plan analysed and checked against initial budget plan, with any preliminary adjustments made.
- Budget discussed at Governors Meeting.
- Adjustments made.
- Budget formally approved by Governing Body.
- Budget Plan submitted to the LA.
- Budget allocated on financial management system.
- Budget holders meet with Business Manager to discuss resource plans and allocations

May

- Chair of Governors/Chair of Resource & Finance regularly informed of progress.
- Departmental Development Plans finalised.

During the course of the year, the budget is regularly monitored by the Business Manager and information is provided to budget holders, the Principal and the Governing Body on a regular basis.

The budget is managed in a dynamic way and funds are moved between budget headings, as virements, to reflect changing needs.

Any virements greater than £20,000 are only made with Governors approval.

SECTION 2: INTERNAL FINANCIAL CONTROL

Different aspects of budget management have their own specific systems for processing and recording transactions (see policies on income and purchasing). By implementation of the correct procedures dictated by the specific system, a high degree of sound financial control is achieved. Some internal controls are common to most systems and are outlined below:

- checking of one person's work by another;
- separation of duties to produce a degree of security for staff;
- authorisations, e.g. a transaction may only continue for processing by one person when authorised as 'correct' by another;
- alterations to any original documents, e.g. cheques, invoices and orders should be made clearly in permanent ink. Correcting fluid must not be used;
- security of accounting records, e.g. the use of passwords to accounts data;
- all transactions should be traceable from the original document to the account records and vice versa, e.g. by use of a reference(s) a cheque, respective ledger entry, invoice and original order should all be traceable to each other.

SECTION 3: A TYPICAL BUDGET DISTRIBUTION - NOMINAL

The largest area of budget expenditure, i.e. staffing payroll is currently administered through the payroll system which is run by the LA.

The following headings are normally used for details about the budget:

Employee costs

Teaching Staff
Business/Admin staff
Support Staff
Caretaker/Cleaning
Lunchtime Assistants
External and Internal Supply
Indirect

Premises

R&M Buildings- Routine
R&M Buildings – Planned
R&M Grounds
Water
Premises Insurance
Energy – Electricity and Gas
Cleaning Supplies

Transport

Car Allowances
Transport

Supplies and Services

Communications
Expenses
Miscellaneous Expenditure
School Catering
Special Facilities

Capitation

Learning Resources
ICT
PRU
Educational Visits

SLA's

Payroll SLA – Salaries
Payroll SLA – Wages
Building Maintenance
Music
Personnel (Staffing & Development)
ICT & Information Management Systems

SECTION 4: BORROWING MONEY

The Governing Body can only borrow money after it has:

- informed the LA of its intention to borrow money;
- provided the LA with adequate assurances regarding the purpose of the loan (including its educational benefit) and the ability to afford repayments;

SECTION 5: THE TREATMENT OF SURPLUS AND DEFICIT BALANCES

Any surplus or deficit balance is treated as detailed below:

- i. The unspent balance of a school's budget at the end of a financial year will be carried forward and added to the budget for the following financial year.
- ii. The School account(s) will attract interest arising from the bank balances and cashflow
- iii. Any deficit will be deducted from the budget for the following financial year. The amount will be calculated as the balance on 31st March.
- iv. The Governing Body must report to the LA, any planned surplus budget which exceeds 5% of the school's budget.
- v. The LA can charge interest on deficit balances.
- vi. The LA has no power to write off a deficit balance.
- vii. If the School closes, any balance (whether surplus or deficit) reverts to the LA; it cannot be transferred as a balance to any other school, even where the closing school is replaced. However, the LA has powers which can allow it to effectively transfer funds for 'replacement' schools.
- viii. The LA may permit the School to plan for a deficit budget in certain circumstances, e.g.
 - a deficit arising from the previous financial year;
 - overall reduction in revenue funding compared to the previous financial year;
 - changes in the LMS formulae that have a negative financial impact on the School's budget;
 - reduction in the number of pupils.

SECTION 6: CHARGING TO THE SCHOOL BUDGET BY THE LA

The budget share of the School may be charged by the LA without the consent of the Governing Body only in the circumstances set out below:

- (i) When awards and legal costs are set by courts and industrial tribunals against the LA arising from action (or inaction) by the Governing Body which proved contrary to the LA's advice.
- (ii) When penalties or charges have been imposed on the LA by the Inland Revenue/Contributions Agency or HM Customs & Excise as a result of the School's negligence.
- (iii) When the LA has had to carry out Health & Safety work/staff training or capital expenditure in line with its statutory duties even though identified funds have been delegated to the Governing Body who subsequently failed to carry out the work.
- (iv) When costs are incurred in securing resignations where the School has not followed LA advice.
- (v) When corrections of LA/school errors are made to the calculations of salary levels and payments for additional teaching/ancillary hours relating to SEN statements.
- (vi) When premature or excess retirement costs have been incurred without the prior written agreement of the LA.
- (vii) When the LA make good deficits in building work funded by capital spending from schools' budget shares, where the premises are owned by the LA. The LA should first check its insurance policies to see if the deficits are covered by a policy.
- (viii) When a dispute over the monies due for services provided to the School is found in favour of the LA.
- (ix) When additional transport costs are incurred by the LA arising from decisions by the Governing Body on the length of the school day or failure to notify the LA of non-student days where unnecessary transport costs resulted.
- (x) When a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect. The lender will be reimbursed.
- (xi) When a school enters into a Credit Arrangement without the prior approval of the LA, e.g. finance lease.

If the LA acts unreasonably in the exercise of its powers it may be the subject of a direction under Section 496 of the Education Act 1996 to reverse its actions. The LA is not able to charge in respect of errors that occurred more than 2 years prior to their discovery and it must notify the School when a charge has been made to its budget.

BANKING ARRANGEMENTS

Governors entrust the management of the school budget to the Principal and the Business Manager to properly and professionally exercise that management and ensure the following policy will be adhered to.

BANK ARRANGEMENTS.

Proper financial control requires effective administration of bank accounts. In particular, regular reconciliation of bank statements with the accounting records are essential to provide the necessary assurance that the accounts are accurate and true.

CHEQUE BOOKS

The School cheque books have parameters as to their use as agreed with the Governing Body and the LA.

- Two signatures are required on all cheques (Principal or Vice Principal and Business Manager).
- The details of cheques in excess of £10,000 will be notified as a matter of courtesy to the Resource & Finance Committee.
- All cheques are crossed 'account payee only' and 'not negotiable'.
- Full signatures are used on all cheques - initials are not acceptable. It is expected that the Principal and the Business Manager would normally be the signatories for each transaction and only in extenuating circumstances would one or more other signatories be expected.
- The signature is the last item to be placed on all cheques - no pre-signing of cheques takes place.
- All cheque books are kept in the school safe, or locked in an agreed designated secure area, when not in use.
- The use of a debit card for online purchases for achieving VFM is acceptable only under the direction of the Business Manager or the Principal.
- The use of BACs for direct payment to suppliers or stated personnel is acceptable only under the direction of the Business Manager or the Principal.

BANK ACCOUNTS

The School bank accounts have parameters as to their use as agreed with the Governing Body and the LA.

- The bank accounts do not have overdraft facilities. The School is not able to negotiate bank overdrafts. Any accidental overdraw on the account must be replaced as soon as possible. Charges resulting from this action are met by the school.
- Bank statements are obtained at least once a month and are promptly reconciled with the accounts. Any discrepancies are investigated immediately. The bank reconciliation is certified as carried out by the Finance Officer. The reconciliation is also reviewed and counter signed by the Business Manager.

- The Business Manager does not reconcile bank account statements on the FMS system as she is responsible for the issuing of receipts and payments. This avoids any 'conflict of interests' and provides a safety procedure for the staff involved. The bank accounts will be reconciled by a Finance Officer.
- Private bank accounts are not used for any School payment or receipt, except in emergency or unforeseen circumstances. Exceptions may include the procurement of petrol for a minibus or goods purchased by staff on behalf of the school, in consultation with the Business Manager. In such cases full VAT receipts must be obtained by the member of staff concerned.
- All surplus funds are managed by the Business Manager and invested in investment accounts approved by the Governing Body.

Only under exceptional circumstances can a cash advance (equating to no more than 90% of expected salary) be made, should a member of staff not receive their salary entitlement. This payment will be conditional to repayment within a stated time. This advance should not be processed through the School Budget Account.

ORDERING AND PURCHASING

INTRODUCTION

The effective control of the School's ordering and purchasing is a complex task and by effective implementation of this policy we aim to:

- contribute towards the 'internal controls' by which the School ensures that its finances are properly managed;
- demonstrate that we actively strive towards obtaining and providing 'value for money';
- describe how we place orders and pay for goods and services.

The policies for ordering and purchasing are also governed by the principles of 'internal financial control'.

OBTAINING AND PROVIDING 'VALUE FOR MONEY'

The School is committed to obtaining goods and services at the correct quantity and correct time, together with the best quality and price available. If the budget is used wisely then the school will be in a position to offer good 'Value for Money' and 'Best Value'. It is desirable that a demonstration following 'Best Value' principles is used – Compare, Compete, Contrast and Challenge. Accordingly, this policy, when implemented, will produce an annual budget plan that reflects 'Best Value' principles.

Large service contracts deserve special attention in order to adhere to 'Best Value' principles.

OBTAINING THE BEST PRICE

Price should never be the sole factor by which a decision is made with regard to goods or services to order, e.g. lower maintenance costs and a longer life span for a product can mean that money is saved in the medium to long term. To establish whether a price is competitive, one or more of a variety of strategies before committing any expenditure should be used.

- check trade journals, catalogues and magazines;
- seek several quotations or formal tenders;
- collate orders from several departments in order to procure discounts;
- strive to ensure that offers of discounts are taken up if appropriate;
- consult the LA supplies department.

ORDERING/CHECKING/PAYMENT POLICY

To provide an accurate account of expenditure every order must be entered on the financial management data system. An official order must be printed and expenditure committed against the specific cost centre. A cost centre/departmental print-out will show all orders placed to date.

Official orders are used to purchase most of the School's supplies and services including utilities - water, electricity, gas, rents and rates.

All internal requisition forms should be properly completed if this policy is fully implemented and processed orders should be ruled off below the last item so as to prevent alteration.

THE PLACING OF ORDERS

- i. Orders are placed by budget holders through the use of internal requisitions – which do not bear any official order number. The internal requisition contains the following information:
 - department/budget heading;
 - name of person (budget holder) requesting order;
 - suppliers name and address;
 - description of goods to be ordered, supplier's stock codes, quantities and price;
 - special instructions.
- ii. This is passed to either the Business Manager or Principal, who authorises the processing of the official order via the computer system and the budget holder retains a copy. Upon issuing an official order the estimated cost will be committed against the appropriate budget allocation - the funds committed will appear in monthly budget statements issued to the budget holder. No order will normally be processed unless there are sufficient funds in the appropriate budget account. The computer system gives a warning once the threshold of funds committed is reached. The threshold is naturally raised towards the end of the financial year. The finance officer will check that the order is not a duplication of a fax or telephone order - if it is then it will be clearly marked 'confirmation order'.
- iii. Once raised, the official order is returned to the Business Manager for checking and signing for authorisation and dispatch.
- iv. One copy of the official order is retained in the main office and filed by budget heading for access by staff and auditors.
- v. One copy of the official order is retained by the budget holder.
 - Official orders may be faxed for speed, they are otherwise posted.
 - Staff are not to place orders via telephone, fax or otherwise without prior authorisation from the Business Manager or Principal, who will issue an official order number. This will only be permitted in urgent cases or emergencies.

- Staff must not purchase goods/services by personal funds except in emergency/special cases, e.g. obtaining petrol on a field trip and permission sought from the Business Manager prior to purchase. Reimbursement is made to staff after VAT invoice/receipt is presented.
- Cheques with order: should a cheque be required to accompany an order, an internal requisition form requesting a cheque payment should be requested with the order.
- Individuals must not use official orders to purchase goods and services for private use.

CHECKING THE GOODS

- Goods are checked by the office staff or budget holder representative when delivered. The complete packaging is inspected (inside and outside) for a delivery note and invoice (if delivered with the goods).
- The delivery note is cross referenced with the goods supplied.
- The copy of the official order form is used to cross reference the goods supplied with those originally ordered.
- If goods are satisfactory then the budget holder will authorise the invoice for payment.
- Discrepancies should be reported immediately to the Business Manager.

AUTHORISING/MAKING PAYMENT

- Before a payment is made, the Finance Officer will check each invoice to ensure that it bears the School's official order number and that there is a valid supplier VAT registration number (if appropriate). If the invoice needs endorsement by the budget holder then the Finance Officer will keep a record of the invoices passed over to members of staff. The Finance Officer will follow up invoices that have not been endorsed and returned within 48 hours. This should avoid charges for late payment.
- The Finance Officer will officially stamp all paid invoices with date of processing, cost centre and transaction number. The stamped invoice must be cross-referenced and filed with the official order.
- If everything is in order the Business Manager will authorise payment by cheque or BACs
- All payments are double checked and signed by the Principal and countersigned by the Business Manager or Vice Principal, following the agreed school procedure.
- There is normally one cheque run and/or BACs run per week unless a more efficient batch processing of invoices is required.
- Documentation for each payment made is filed for audit purposes.

RETURNING GOODS

FAULTY GOODS

Any faults or discrepancies should be reported to the Finance Officer immediately who will then report it to the supplier and obtain instructions/official returns number/reference. Goods must never be returned to a supplier without a supplier's returns number/reference, otherwise the School is still responsible for the goods and therefore payment. A certificate of posting should be obtained or preferably the returned goods should be sent by recorded delivery. Returned goods should be insured against loss or damage if relevant.

INSPECTION COPIES

Accompanying paperwork will usually give guidance on the procedure for returning the inspection material.

CONCLUSION

With full implementation of this policy, the School can be satisfied that:

- attempts have been made to obtain 'the best price' and 'value for money';
- prices are reasonable for the specific contracts, goods or services;
- prices accurately relate to any quotations or tenders;
- prices have been correctly calculated;
- prices have been correctly interpreted with respect to VAT (inclusive or exclusive) and postage and packaging;
- goods or services ordered are appropriate and needed;
- there is adequate budgetary provision for the particular order;
- suppliers are paid on time;
- the School does not incur further costs due to returned goods lost in transit or late payment.

VIREMENT POLICY

- 1 When income for Budget provision has not already been made is paid into the School Income Budget Account, the Business Manager or the Principal shall have authority immediately to vire such sum from the Income Budget Account to the appropriate expenditure account.
- 2 When an order cannot otherwise be placed, the Principal or Business Manager may vire up to **£20,000** without permission, provided that it is reported to the next meeting of the Resource & Finance Committee.
- 3 Where the regular monitoring process establishes that a Budget Account is likely to be insufficient, the Business Manager and Principal will contact the Chair of the Resource & Finance Committee. The Chair, or if felt appropriate the Resource & Finance Committee, may authorise an increase in allocation to that account, up to a limit of **£50,000** on any one occasion. If necessary, another account may be reduced to release funds.
- 4 The Business Manager will make regular reports to the Chair of the Resource & Finance Committee, detailing all virements made.
- 5 Where it is necessary to access additional Mainstreamed Funds, the above virement levels may be exceeded but in all such cases, a report will be made to the Resource & Finance Committee and Full Governing Body.

Approved by: 10.10.17 Resource & Finance Committee	Adopted by Full Governing Body:
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