

## 1 Policy Statement - Finance

We are committed to ensuring that ESFA funds are used to fulfil its charitable objects in a manner which is sustainable, proper, controlled and monitored, and does not put the charity's funds and resources at risk.

This policy outlines the financial management arrangements in place to achieve the policy objectives.

## 2 Policy Commitments

### Financial Administration

- **Banking:** the ESFA shall only open bank accounts in its own name and on the authority of the Trustees, at which time specific responsibilities will be identified and a scheme of delegation prepared or updated. Changes to the bank mandate shall only be made on the minuted decision of the Trustees.
- **Scheme of delegation:** the ESFA shall publish to its staff and Council members a scheme of delegation identifying the permitted levels of financial commitment by post-holder and the authorisation levels associated with each commitment level;
- **Financial record keeping:** the ESFA shall keep sufficient accounting records of all transactions to comply with relevant legislation and to ensure that financial monitoring and reporting is accurate and timely;
- **Financial reporting:** the ESFA shall comply with the requirements of the Charity Act and any other relevant legislation in its financial reporting and shall ensure that the annual report, accounts and annual return are filed on time, following appropriate approval by the Trustees;
- **Information security:** financial information shall be held securely on the FA server, where this is permissible, and where not, on a separate computer with a back-up which is held off site.
- **Petty cash:** the ESFA shall maintain a small petty cash float for incidental expenditure agreed in advance with the Finance Officer and a petty cash record shall be maintained. The entries in the petty cash record shall be reviewed annually to determine whether alternative arrangements are appropriate;
- **Training:** the ESFA shall provide appropriate training to those with financial responsibilities to ensure that these policy commitments can be delivered.

### Financial Management

- **Accounting practice:** the ESFA shall comply with the charities' Statement of Operating Practice (SORP) and all applicable UK Generally Accepted Accounting Practices (UK GAAP) in its management accountancy;
- **Budget setting:** the draft budget shall be proposed by the Chief Executive prior to the start of the financial year, and shall be scrutinised and approved by the

Trustees. No expenditure shall be incurred in advance of the agreement of the annual budget;

- **Budget monitoring:** an update on financial performance shall be provided to Trustees by the Finance Officer on a quarterly basis throughout the year, and in advance of the year end. This reporting shall include but not be restricted to income and expenditure, material variations against budget and cashflow, and a balance sheet, which shall be provided only at the mid-year point and at year end;
- **Expenditure controls:** the ESFA shall operate a system of control which prevents expenditure commitments being made beyond the limits and responsibilities determined in the scheme of delegation and includes a checking procedure to prevent financial malpractice;
- **Procurement and purchasing:** where Trustees have the discretion over the supplier of a service or product, three quotations shall generally be obtained prior to awarding a contract or placing an order. Purchases shall be made only where expenditure is essential and then based on the cheapest quotation as long as that meets the full specification and quality requirements of the ESFA. This does not apply to single expenditure decisions of less than £50.
- **Credit Cards:** ESFA credit cards shall be provided to the Chair of Trustees, the Chair of Council and the CEO and shall be used only for essential expenditure incurred on behalf of the ESFA. Receipts shall be provided to the finance officer;
- **Income:** the ESFA shall operate a system of control which allows only for the appropriate receipting of income, and for ensuring that the terms and conditions associated with the income are met. Any new income opportunities shall be assessed in line with the due diligence process and a full cost benefit analysis;
- **Expenses:** the ESFA shall reimburse legitimate business expenses as determined on an annual basis by the Trustees. These decisions shall be informed by HMRC guidance and limitations;
- **Depreciation:** the ESFA shall depreciate its fixed assets as noted below:
  - Office equipment: 25% reducing balance
  - Computer equipment: 3 year straight line
  - Property: 2%
- **Reserves:** the ESFA shall hold in reserve sufficient funds to cover core activities for approximately 6 months. Day to day funds shall be held in a general reserve, short and medium term treasury accounts. Long term investments to the value of no greater £160,000 shall be made in low risk investments and no investment shall be made in funds or companies whose activity conflicts with or compromises that that of the ESFA;
- **Risk management:** the Trustees shall, when considering all investment, expenditure and income decisions, give due regard to the risk inherent in those decisions. These considerations shall include, but not be limited to, known future commitments, changes, threats and opportunities; returns on investment; investment security; accessibility of funds; ability to deliver to meet terms; threat to reputation; threats to quality of service/delivery; potential loss or insecurity of income; impact on membership; affordability, viability and the impact of decisions on cashflow;

- **Asset management:** the ESFA shall maintain a fixed asset register and review those assets on an annual basis. Current assets shall be reviewed through bank statement reconciliation and there will be a three yearly review of deposit accounts to ensure best fit with ESFA business needs.

### **Financial Malpractice**

- **Fraud:** the ESFA shall operate a system of control which provides adequate protection from the possibility of fraud and financial crime and abuse. This shall include, but not be restricted to, schemes of delegation, segregation of duties, safe and secure data and systems management and procedures for reporting concerns;
- **Anti-bribery:** the ESFA will not tolerate the acceptance of bribes to influence expenditure, service or partnership arrangements. This responsibility will be discharged through the controls in the financial procedures, through the maintenance of a register of interests and through the declaration of gifts and hospitality;
- **Register of interests:** the ESFA will retain a register of all Council and staff member interests and shall ensure that, in the interests of financial probity, those with potential vested interests are excluded from expenditure, investment or contracting decisions;
- **Donations, gifts and hospitality:** all hospitality, donations and gifts to individuals with a value of greater than £10, shall be notified to the Finance Officer who shall maintain a register of these transactions and shall monitor it for trends and use it to report to Trustees in the event of the supplier being considered for a new or renewed contract/service/ partnership;
- **Whistleblowing:** concerns about financial mismanagement shall be raised through the ESFA's whistleblowing procedure.

### **Employee Arrangements**

- **Payroll:** the payroll shall be run on a monthly basis, taking account of all deductions and making payments only in line with minuted decisions of the Trustees. The ESFA complies with minimum wage legislation;
- **Pension provision:** the ESFA shall offer a staff pension with a contribution rate of 8%, and shall comply with all statutory legislation with regard to pension provision;

### **Professional Services**

- **Independent auditor:** the ESFA shall appoint an independent auditor for a period of 1 year, by recommendation from Trustees to the AGM;
- **Financial advice:** the ESFA shall retain a financial adviser who is separate to the internal auditor, for the purposes of investment advice;
- **Insurance:** the ESFA shall hold appropriate insurance policies to cover employer's liability, public liability (including for all affiliated ESFA county and district school members), Trustee liability, building and contents and personal accident and travel.

### **3 References and tools support the Policy**

Financial procedures

### **4 Policy Review Arrangements**

This policy will be reviewed at least annually, or in the event of suspected or identified fraud or malpractice, following that event.

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