



**Better futures
for children &
young people.**

The Charter Schools Educational Trust

Delegation of Financial Controls Policy

Author (s)	CFO
Functional Area (Finance, HR, Trust Board etc.)	Finance
Scope (Trust, School, Other)	Trust wide
Reviewer (s)	DOO
Approver (s)	Finance, Audit & Risk Committee
Version	1
Effective Date	September 2024
Next Review Date	July 2025

Introduction

The Charter Schools Educational Trust (the Trust), like all academy trusts, is not a business but must comply with Company Law whilst delivering their charitable objective which is the 'advancement of education for public benefit'.

An individual school's financial performance is an enabler of this prime objective and poor financial management inevitably results in a reduced ability to deliver that objective. School's that deliver successive deficit budgets will eventually find themselves in a position where tough choices will need to be made.

Should a deficit arise in one of its schools, the Trust must be in a position to identify this at an early point in the financial cycle, have options available that will allow the school to return to balance and have processes in place to give assurance that recovery plans are on track. Late notification of a deficit may lead to emergency recovery actions which are detrimental to the operation of the school and the delivery of the overall charitable objective.

This policy should be read in conjunction with the following policies:

- Trust Scheme of Delegation
- Trust Removal of Delegated responsibilities policy
- Trust Capital Funding Policy
- Trust Procurement Policy
- Trust All staff pay policy

In-Year Deficits

The Academies Trust Handbook (ATH) requires trusts to produce a 3-year budget and to balance for the current year. There is no requirement to show a balanced position over the 3 years, but if the trend is toward increasing deficit, then this will be identified as a risk area for the Trust Board.

At The Charter Schools Educational Trust we produce a 3-5 year plans and set short & long term targets according to each school's ability but over the medium term for that to be in surplus..

The ATH balanced budget requirement applies to academy trusts as a whole, not to constituent schools within them. If one or more academies within a multi-academy trust (MAT) was in deficit but the MAT overall was at least breaking even, then that is usually something for the MAT to address without ESFA intervention.

MATs provide an environment where resources and capacity are shared so that financially struggling schools have access to relevant and focused support. However, a deficit in any individual Trust school that persists from year-to-year needs to be addressed. MATs vary in terms of the degree of autonomy/centralisation that individual schools experience. Within our Trust, action to address the deficit at school level will be a matter for the Headteacher working with the CFO, with the Local Governing Body having oversight of the plans. Ultimate accountability in our Trust rests with the Trust Board and they must be content that appropriate plans, monitoring and reporting are in place.

Setting annual budget plans – timings and considerations

Decisive action to tackle deficits requires early warning. The need to provide a 3-year budget forecast mean that Trustees can see and understand medium-term financial trends. Like most MATs, our Trust will not be in a position to develop a firm budget for the forthcoming year until the preceding spring or summer term.

Staff costs make up the largest part of any school budget and therefore school staffing structures need to be in place by September. Any delayed decisions regarding these will be by mutual agreement with the Trust, especially if they require additional financial commitments.

Budgets will also consider any annual changes in tax and national insurance rates, nationally negotiated salary increases, changes in utility costs, pension contribution rates etc. Decisions on individual staff pay progression may not take place until summer term, but Headteachers should be able to predict the range of possible outcomes earlier than this in order to establish the most likely budgetary impact of pay progression for the next year.

The weeks between February half term and Easter represent a crucial period to tie down the budget for the forthcoming year. Delays means that schools may miss their best opportunity to make major changes to curriculum and staffing for the forthcoming year.

Any pressures on the school budget may not become fully apparent until several months into the financial year at which point it may become necessary to take emergency measures, which, otherwise, might have been avoided had there been more time to plan for reducing expenditure. Such measures (such as an embargo on printing, supplies, training, etc.) may yield short-term economies, but may defer a deficit issue rather than resolve it.

Effective financial planning and monitoring

The Trust has a clear process in place to monitor closely how the Trust and its schools are performing against the current year's budget while at the same time forecasting how it will perform next year.

Budget Cycle – Current Year	
September	Establish Opening Balances vs reconciliation of budget vs actual income and expenditure
October	Confirm performance related staffing changes
November/December	Refresh budget and estimate outturn
January/February	Consider any emergency measures – Deficit recovery plan actioned if necessary
March	Impact of any unplanned inflationary changes taking effect from April.
April	Refresh budget and estimate outturn
May	Close purchasing from curriculum budgets
June/July/August	Estimate accurate budget outturn

Budget Cycle – Next Year	
September	Ensure pupil numbers are at the optimum level

October	Add actual census pupil numbers to budget plan
January/February	Confirm any staffing changes from December
March	Receive actual funding statement for September
April	Discuss possible staffing changes and consider pay progression along with of living increases.
May	Confirm leavers and cover requirements
June/July	Final changes and implementation of any deficit recovery actions where necessary

Deficit Recovery Process

Once a deficit has been identified, a plan will be developed with the CFO to place the school back on a financially sustainable basis. The Deficit Recovery Plan detailed objectives and actions will be determined dependent on the acuteness of the deficit position and the medium-term financial outlook.

The plan is agreed and "owned" by the respective Headteacher, and the Trust CEO and CFO and is a commitment to a series of actions, including possibly difficult decisions, by the school and Trust leaders.

Any Trust reporting a deficit position are subject to ESFA intervention, and this will be "light touch" when the Trust can demonstrate credible deficit recovery plans. Any Trust without such a plan are more likely to have a financial notice to improve (FNtI) imposed by the ESFA which may then mandate how recovery will be achieved. Even if ESFA has accepted a Trust's recovery plan, if insufficient progress can be shown then further intervention by ESFA is more likely.

All unplanned deficits are owned by the school and therefore will need to be paid back at the earliest opportunity. If unable to pay back to the Trust in the following year in full, a payment plan will be agreed by the Headteacher, CFO and CEO with ultimate approval given by the Finance, Audit & Risk Committee.

In-year reporting and scrutiny

The Trust Central Finance Team will produce monthly budget monitoring reports, including the forecast outturn position throughout the financial year.

Monthly targets will be set for each line of income and expenditure, as well as creditor and debtor balances.

In a situation where the deficit has come close to exhausting cash reserves, it will be necessary to put in place weekly monitoring.

Line-by-line reporting of expenditure will take into account both expenditure incurred (bills paid) and expenditure committed (orders placed).

Budget variances will be analysed month-on-month with the Headteacher to identify any potential budget issues as soon as possible.

Budget monitoring reports are shared with the Trust Finance Committee and the Chair of the Trust Board and the CEO monthly and the Finance Committee meets termly, where any concerns in respect of individual schools and planned actions will be scrutinised.

Example:

High-level monthly budget monitoring, including line-by-line examination of variance above a certain threshold of materiality can prompt timely intervention. For example:

- **Total budgeted spend for printing: £10,000**
- **Anticipated spend to 01/09 to 30/11: £2,500 (25%)**
- **Actual spend 01/09 to 30/11: £3,500 (35%)**
- **Therefore, projected spend to 31/08: £14,000**

In this example the Headteacher and Local Governors should be questioning why year to date printing costs are running £1,000 higher than anticipated and what steps could be taken to remedy the situation to bring the printing budget back on track.

Academy trusts must produce monthly management accounts that should provide a basis for tracking of progress in-year.

Actions for balancing the budget

Annex A below sets out a number of practical options for recovering a deficit situation. Specifics will depend on circumstances, but generally steps must be taken to reduce expenditure, boost income and collect monies owed.

Any planned development and “discretionary” expenditure will be frozen until Trustees are aware of what remains of the budget. Close scrutiny of all budget lines is required, with any showing a potential underspend explored. These should be used to reduce overspend in others and a revised budget set.

Annex A – Measures for recovering from a deficit situation

The Trust will use the school resource management self-assessment tool (SRMSA), to compare how Trust’s own data compares against a range of performance measures that are indicators of good resource management and to assist in identifying “hotspots” where remedial action can then be considered.

Salaries

Trustees will challenge the assumption that salary costs are fixed. Options for identifying long-term savings in respect of staffing include:

- Reducing staffing budgets via natural wastage and a moratorium on recruitment wherever operationally possible
- Internal promotion of lower paid staff rather than recruiting more expensive teachers (assuming parity in operational effectiveness)
- Reviewing the use of any surplus staffing including non-contact times in excess of statutory PPM allowances

- Reviewing TLR allowances
- Looking at redeployment in areas with potential surplus staff (classroom support could be reviewed enabling redistribution of duties and hours)
- Reviewing any fixed term contracts including review of need and non-renewal at earliest opportunity
- Careful management of performance related pay awards
- Careful management of supply (cover) staff costs
- Ensuring that staff are not employed to duplicate roles and responsibilities that are provided by Trust Central Services.

As a Trust we aim to maintain staff salary costs at 75% and 80% of total revenue income.

Central Services Contribution

Schools within the Trust need to ensure they are maximising the value for money offered by the Trust Central Services Contribution and the services they provide as part of the central offer. Schools should consider whether they are duplicating roles or services such as subscriptions.

The Trust provide outturn information on services supplier throughout the year and plans for the upcoming year in plenty of time to be considered for the start of the next academic year.

Goods and services

The Trust and its schools will regularly review all goods and services contracts to identify potential savings. Contracts will include:

- Subscriptions, memberships and licenses
- Printing costs
- Marketing and communications
- Staff training and development

The Trust will take into account any suppliers' normal terms of trade when paying invoices, after taking into consideration any negotiated discounts dependent on early settlement or agreed deferred invoice payment should be considered.

Procurement

The Trust will identify any goods or services that all or many of the schools within the Trust require and will negotiate a Trust-wide contract to ensure best value in line with the Trust Procurement policy.

Any contracts that a school would like to be considered for the wider Trust should be raised with the CFO or CEO.

Capital reserves

Trust capital reserves will be earmarked for planned capital projects in line with the Capital Funding Policy.

Capital reserves will only be used to support a deficit position in exceptional circumstances and with the full agreement of the Trust Board.

IT Infrastructure

IT Infrastructure will be maintained on a planned cycle allowing budgeting over 3 to 5 years and in line with the overall Trust IT Strategy.

Site Development

Wherever possible, any planned site development will be delayed until the budget can sustain it. However, if discretionary grants or matched funding might be lost because its availability is time-limited, Trustees may agree to proceed if the alternative would be higher net financial strain in the near future.

Furniture and equipment

Except for action to address health and safety risks, The Trust will defer plans for refurbishment of classroom furniture until the budget allows.

A prioritised list of areas requiring furniture and equipment renewal will be maintained in each school so that when funds become available the appropriate areas can be addressed.

Where old or redundant furniture or equipment needs to be disposed of then residual value should be realised, either on auction sites or even just scrap payments

Disposal of any IT equipment will be in line with GDPR regulations

Pupil premium funding

Any Pupil premium funding must be spent on the identified pupils. These funds may be used to offset some salary costs, but only if the staff are working directly with the identified pupils and with a clear remit in respect of improving attainment.

The Trust and its schools will ensure that parents better understand where they may qualify for additional funding and how this will directly improve the experience of their own children through regular and targeted communications.

Debt recovery

The Trust will ensure that its schools are working sensitively with parents to collect any unpaid fees on an ongoing basis, highlighting how these have a negative impact on the overall financial health of the school.

The CFO will ensure regular reconciliations and reporting of debt through to the accounting officer and the Trust Board.

The Trust and its schools will have clearly defined processes for recovering any unpaid fees that will be made available to all parents.

Wraparound care

The Trust and its schools will ensure that costs for any wraparound care will take into account all direct costs incurred: food, supervisory staff, additional cleaning, administration, etc.

The Trust and its schools will charge a locally fair rate for such wraparound care with discounts for families identified as in receipt of Pupil Premium.

Parental Contributions

Where schools have been in receipt of parental contributions these will not be used to “prop up” mainstream expenditure such as salaries but may be used to support non-core school activities or resources that benefit all children that may have been funded from the main revenue account previously.

This funding and expenditure will be held separately from the main body of the accounts. Schools that are currently using parental income within the main body of their accounts will agree a transition period with the CFO to separate this.

Annex B: The Charter Schools Educational Trust Financial Controls

Management Action

This is a control devised to ensure all stakeholders are aware of any financial challenges on the horizon. Management Action is a monetary value attributed to next three future years within the budget plan and it works cumulatively, so when one year’s value is addressed this automatically reduces the following year should the spend or income be year on year.

The control can be used to make a call on the implementation of a deficit recovery plan and the need to act to reverse a position.

Deficit Recovery Plan

A deficit recovery plan is utilised when a management action has not been removed by a natural reduction in spending or additional funding. Deficit recovery plans templates are produced by the Trust to list ways in which spending can be reduced in the short and long term.

Action Number	Detail of Saving or Additional Income Stream	Support Required/Actions	21/22 Budget Impact	22/23 Budget Impact	Date Effective
1	Restructure Example	HR Support	£50k	£100k	01/04/2022
Total					

It should be clear what the timeline for implementation is along with the costs involved. Larger cost savings through restructures, can carry significant costs but can deliver huge savings over multiple years.

A deficit recovery planning should consider all areas of spend in a school including all areas of staffing.

Shadow Structure

Staffing Structures evolve as needs change, and all school leaders need to be clear what their optimum staffing structure would be if there effectively was a blank canvas to start from.

Having this in the background allows schools to react when staff resign so then changes can swiftly be implemented ensuring there isn't any delay in recruiting trying to approve a new structure. If this structure is approved ahead of time this will save precious time at the most critical times of the year.

Shadow structures for each school should be approved on annual basis by the CEO.

Monthly Budget Monitoring Meetings

Monthly meetings will be held to discuss the monthly management accounts (Budget Monitoring) by the end of the month relation to the previous month's accounts. During these meetings the Headteacher will make the CFO or member of the finance team aware of any potential or confirmed changes ahead at this stage.

The School Business Lead should attend these meetings as they will be able to provide more detail in certain areas especially around general operations.

Any significant changes to the month end projection or any readdressing of a deficit balance should be confirmed in writing to ensure all parties are aware of what has been agreed.

For example: closing the Purchase Order system for curriculum purchases will require the Headteacher to let staff know that purchases have been frozen in this area. Without this certain spends will continue and therefore the budget projection will drift.

In-year Deficit

Should schools post an in-year deficit certain controls will be implemented until the negative position is resolved.

Budget Period	Deficit Position	Decisive Action Required
Autumn Term - Primary	Above £10k	An above £10k deficit posted on the BMR in the Autumn Term will require immediate action by the Headteacher to reduce costs or increase income. Headteacher and CFO to agree on where the cost savings can be applied, and this will need to be confirmed and approved in writing copying in the CEO. These changes will be applied to this month's BMR, a surplus projection will be required.

Autumn Term - Primary	Below £10k	A below £10k deficit posted on the BMR in the Autumn Term will be given until the following month to post a surplus year end projection. Any agreements on changes to budgets need to be agreed in writing by the Headteacher and the CFO before approval of that months BMR, the CEO will need to be copied into this agreement. A notification will be sent to the LGB Chair also.
Autumn Term - Secondary	Above £30k	An above £30k deficit posted on the BMR in the Autumn Term will require immediate action by the Headteacher to reduce costs or increase income. Headteacher and CFO to agree on where the cost savings can be applied, and this will need to be confirmed and approved in writing copying in the CEO. These changes will be applied to this month's BMR, a surplus projection will be required. A notification will be sent to the LGB Chair also.
Autumn Term - Secondary	Below £30k	A below £30k deficit posted on the BMR in the Autumn Term will be given until the following month to post a surplus year end projection. Any agreements on changes to budgets need to be agreed in writing by the Headteacher and the CFO before approval of that months BMR, the CEO will need to be copied into this agreement. A notification will be sent to the LGB Chair also.
Spring/Summer – Primary & Secondary	Any Deficit	<p>Any deficit posted, regardless of value will require immediate action by the Headteacher and CFO. Any agreements on changes to budgets need to be agreed in writing by the Headteacher and the CFO before approval of that months BMR, the CEO will need to be copied into this agreement.</p> <p>If there are no cost-free changes that can be made immediately then a deficit recovery plan meeting will be called with the Headteacher, CFO, CEO and LGB Chair.</p> <p>The Headteacher is given the control to decide on changes but must ensure that</p>

		<p>these actions cover the in-year deficit position. If this isn't possible then the CEO will take control of the deficit recovery plan following the notification of the LGB Chair & FARC Committee.</p> <p>Delegated financial responsibility reviewed.</p>
Exceptional Circumstances	Any Deficit	<p>This is an area that is difficult to define, most costs are known in advance and each budget has contingencies to cover small unknowns plus insurances against any catastrophic losses.</p> <p>If a school believes they have an exceptional circumstance, then they should identify this early and notify the CFO. If this exceptional circumstance was to be the sole reason for an overspend then this can be considered by the CEO.</p> <p>Exceptional circumstances cases should be sent to the CEO & CFO in advance, where possible, or at the very least when they become known to have a likely impact on the in-year budget position.</p>

Future Year Deficits

Period	Deficit Position	Action
By End of December (budget from following September).	<p>Above £50k for Primary</p> <p>Above £100k for Secondary</p>	<p>Have deficit recovery plan ready for implementation. Ensure no additional posts are recruited and all replacement roles are justifiable and recruited at a lower rate.</p> <p>All posts can be costed through the budget plan at this stage.</p> <p>Involve SLT. Look at staffing structures for the next year, speak to staff and find out any life plans that may mean they are looking to move on at the end of the academic year.</p> <p>LGB Chair to be notified.</p>
Between Jan and March	All positions	Ensure all leavers are processed on the budget plan to understand if there are

		savings, identify roles that should they resign they would not be replaced.
March	All positions	GAG statement applied to the budget plan, assurances on funding mean decisions can be made with more certainty.
April	Above £25k for Primary Above £75k for Secondary	Deficit recovery plans can be implemented if there are no other options. Deficit recovery plans should be prioritised to ensure the first actions are reversible and cost neutral. LGB Chair to be notified.
End of May	All positions	Apply all final Teacher resignations. Apply updated PP information to income.
Early June	Any Deficit	Start implementing further deficit recovery actions, these actions may have costs associated.
End of June	Any Deficit	CFO & CEO to implement further deficit recovery plan actions or take additional actions if required. Delegated financial responsibility reviewed. LGB Chair to be invited into the process.

Removal of Delegated responsibilities

The Trust Board reserves the right to remove delegated responsibilities around finance in line with the Trust Removal of Delegated Responsibilities policy. Any decisions in this respect will be made on a case-by-case basis dependent on financial risk and timescales involved.

This process will be implemented where concerns that have been raised with the Headteacher and Local Governing Body regarding delegated responsibilities which have not been resolved, or where the situation has not improved sufficiently and is having or is likely to have a negative impact on the school. There may be occasions where the issue is so serious that this process is invoked immediately.

Where this process is to begin the Trust Board, the Headteacher and the Local Governing Board will be informed in writing, and this policy will be shared.

Stage 1 of the process then begins.