



THE ARK SCHOOLS APPROACH TO FINANCE

Date of last review:	April 2012	Review period:	1 year
Date of next review:	April 2013	Owner:	Head of Finance
Type of policy:	Network	LGB or Board approval:	Board

The ARK Schools Approach to Finance

1. General Principles of Financial Responsibility within the ARK Network

One of ARK's basic principles is that decision making on finances is best taken at academy level. The academy senior leadership team, in discussion with the Principal and reporting to the Local Governing Body are in the best position to make decisions on the finance and budgets for the academy in which they work.

The term 'ARK Schools' actually applies to the entire network of academies, not just the centre, as we are all part of one legal entity. It is therefore the responsibility of the Board of Directors of ARK Schools, who are the legal governing body of all our academies, to set the overall financial framework, with consideration of the regulations set down by the DfE. As well as being a legal requirement, this also allows transparency, comparability and benchmarking between academies. In practice however the decision has been taken that ARK Schools will take a high level monitoring and supportive approach to finance, rather than an interventionist role.

The Local Governing Body may delegate some of its financial responsibilities to the Finance Committee (usually combined with responsibility for premises and staffing issues too), which is a subcommittee of the Local Governing Body. This is usually only necessary in larger academies.

In terms of roles the Principal will be appointed as the Accounting Officer, and the Finance and Resources Director will be the Principal Finance Officer. The ARK Schools Chief Operating Officer will act as the Responsible Officer.

This document should be read in conjunction with the ARK policies and guidance on finance and the DfE Academies Finance Handbook (last issued 2006, update expected 2012).

2. Responsibilities within Finance Areas

The following sections detail the specific responsibilities within the main areas of finance. These are:

- Financial Planning
- In Year reporting
- Year end reporting
- Finance Systems
- Procurement
- Audit and Governance
- Training and Development
- External Liaison

2.1. Financial Planning

The responsibility for setting the priorities for funding, budget setting and general financial planning lies with the individual academy. Whilst the budget will need to be submitted to ARK Schools for formal approval, if it has been approved at Local Governing Body level, this approval will not be denied without good reason. ARK Schools however still has a fiduciary duty to satisfy itself that the budget has been well thought through. Therefore they reserve the right to challenge the assumptions behind the budget and will need to be convinced that the budget is affordable in the short term and sustainable into the long term. All significant risks that may impact on the financial viability of the academy will need to have been recorded and the financial impact considered and mitigated where possible. To that end a detailed commentary will need to be provided with any budget submission.

One key area of financial planning is the level of central spend grant (LACSEG) to be retained by ARK Schools each year in the form of a fee. This grant is provided by the DfE at a level that approximates the amounts that would have gone to the Local Authority under the maintained school model. The responsibilities, that in maintained schools are fulfilled by the local authority, are shared between ARK Schools central team and individual academies. A fee is therefore charged to reflect services provided. ARK Schools commits to reviewing the level of the central spend grant retained each year to ensure fairness, and to maximise the opportunities at the front line. The level of retention should also reflect the services provided by ARK Schools. Each year ARK Schools will also pay for a certain number of expenditure lines that would have had to be paid for by the academy if ARK Schools did not. This list will be provided each year and will form part of the decisions around central spend grant. In the absence of this list, academies should not presume that any expenditure they incur will be reimbursed by ARK Schools.

The only exception to the rule of delegated budgets relates to the period prior to opening. Lead in budgets are agreed between ARK Schools and the DfE, usually before a Principal has been appointed. The budget lines cover initial staffing plus those costs that will be incurred prior to opening, such as recruitment, training, salaries, ICT set up costs, branding and signage etc. Each of these lines will be 'owned' by either ARK or the academy (in the form of the Principal). This split will be agreed at the start of the project or on appointment of the Principal, whichever is later. Whilst some areas will be controlled by ARK, the Principal will be consulted on all relevant matters before expenditure is incurred. This also applies to elements of the Start Up B grants, and the academy will be notified in advance if ARK Schools is to retain control over any element of the Start Up funds.

See also the ARK Schools Financial Planning Policy and Reserves Policy.

2.2. In Year reporting

There are a number of deadlines set by the DfE for finance related returns. Responsibility for completion of these forms lies with the individual academy, although the ARK team is happy to assist if required. The forms will however be submitted by ARK Schools on the academies behalf. In order to achieve these deadlines they must be approved locally and then submitted to ARK Schools no later than a week before the DfE deadline. This is to allow finance staff at ARK Schools to check the returns and compare to other academies in the network to ensure consistency of approach. This also allows any anomalies to be investigated and any corrections to be carried out before the deadline.

Individual academies are required to report monthly on their financial position. These reports should show a summary of the current financial position (to the end of the previous month), supported by a more detailed breakdown and a commentary setting out key points to consider and any change on the likely year end position. These management accounts will need to be submitted to ARK Schools by the 15th of each month. The most recent version will also need to be submitted to each Local Governing Body meeting. The format for these reports will be set by ARK Schools in order to ensure consistency and comparability. Formats will be set with the DfE reports in mind so that the need to change from one format to another for different reports is minimised.

Given ARK's monitoring role it is the responsibility of the academy to notify ARK Schools of significant financial risks to the financial stability of the academy as soon as they become apparent. It is also the responsibility of the academy to take corrective action to ensure that expenditure remains within budget.

See also the ARK Schools guidance on Management Accounts.

2.3. Year end reporting

Accounting policies will be set by ARK Schools in order to ensure comparability and consistency across the network and to allow straightforward consolidation of results at year end for the statutory accounts. This is also required as we are all one legal entity.

Also due to the fact that the network is one legal entity, individual academies are not required to produce full annual reports and accounts. Instead their results are consolidated in to the accounts for ARK Schools as a whole. Where this differs from the year end management accounts then a full reconciliation will need to be provided. This does not however diminish the responsibility of individual academies to carry out regular checks on their postings to ensure the integrity of their figures. A full year end exercise to check income and expenditure postings, prepayments, accruals and be able to provide balance sheet figures will be required. A spreadsheet detailing the information required is given to each academy before year end, and will need to be passed back to the ARK

finance team by the 30th September deadline. Academy finance teams will also be required to aid external auditors as they will visit each academy as part of their audit of the ARK Schools accounts. These auditors will be appointed by ARK Schools. The audited and signed accounts will be filed with the DfE and Companies House by ARK Schools.

See also the ARK Schools guidance on Year End.

2.4. Finance Systems

To aid comparability and to minimise duplication in procurement, it is the responsibility of ARK Schools to source and install an appropriate finance system to be used by the entire network. This decision however should be taken following consultation with staff at academy level and be made following consideration of the needs of academies. At present the system in use is PS Financials.

The coding structure used by each academy should be similar, to ensure ease of consolidation and consistency of reporting. This structure will be set by ARK Schools, taking into account the wishes of individual academies as much as possible without jeopardising the overall need for consistency. The same basic coding structure will be applied by all individual academies, but there will be scope for some agreed academy specific analysis codes.

In addition to PS Financials, ARK Schools has invested in Soprano, which is a purchase order and procurement system that interfaces with PS Financials. All purchases by budget holders should use this system to ensure that correct authorisation is attained prior to ordering, and that reports capture commitments as well as invoiced expenditure.

It is the responsibility of the academy to ensure that all postings to the finance system are done on a timely and accurate basis, and to ensure that all required financial checks are carried out on a timely basis by appropriate personnel, such as reconciliations and payroll submissions. It is also the responsibility of the academy to ensure that all funds are spent efficiently and go towards achieving the purposes for which they were intended.

It is the responsibility of the academy to appoint individual budget holders and set limits for their authorisation. It is also the responsibility of the academy to ensure that all undisputed invoices are paid within 30 days.

The academy needs to ensure that it is running the finance systems effectively, with the full range of regular procedures and checks expected from a professional finance function. A template list of these functions is provided by ARK Schools.

See also the ARK Schools manuals on PS Financials and Soprano. Also see the ARK Schools Accounting Policies.

2.5. Procurement

Every member of staff in ARK and the academies has responsibility to ensure value for money in all financial dealings. It is the responsibility of the individual academy to ensure value for money in all procurement matters for the academy. Procurement of all day to day supplies and services should be carried out by the finance team in the academy. The rules to follow in terms of numbers of quotes and tendering limits are in the ARK Schools procurement policy. The use of Soprano is mandatory.

It is the responsibility of ARK Schools to consider and explore areas where network wide procurement may lead to better value for money through economies of scale, i.e. insurance, stationery and the payroll contract. Individual academies may suggest areas of possible joint procurement. Individual academies can opt out of network wide procurement contracts if they can clearly demonstrate that signing up will cause that academy a clear detriment. The presumption however should be that all academies will sign up.

The highest standards in propriety are expected by all members of staff in relation to financial dealings.

See also the ARK Schools Procurement and Tendering Policy, Expenses Policy and Gifts and Hospitality Policy.

2.6. Audit and Governance

ARK Schools sets the governance framework that all academies in the network must operate to. These are set out in the finance and governance policies and guidance. These build on best practice across the sector and pick up on the guidelines set out in the DfE Academies Finance Handbook. Academies are expected to follow the rules set out in these documents, ensuring that appropriate standards of finance and corporate governance are maintained at all times. Where individual academies consider that any rules are counterproductive to the smooth running of their academy they can bring their concerns to a network meeting for wider discussion. They would however be required to prove a need to do so and be able to demonstrate how this would not have a detrimental impact on the governance or financial risk profile of the academy before any dispensation was allowed.

It is the responsibility of ARK Schools to appoint a Responsible Officer (RO) for each academy. The RO will carry out a number of basic control checks in line with the guidelines set out in the

DfE Academies Finance Handbook. The results of this inspection will be submitted to the Local Governing Body for consideration (or finance committee where one is in place). The presumption will be that the academy will implement any recommendations made by the RO unless they can demonstrate that to do so would not be appropriate.

As the financial results of each academy will be consolidated into the ARK Schools annual report and accounts, they will be visited by the external auditors of ARK Schools in the course of their audit of those accounts. ARK Schools will try to provide as much notice as possible of any visit (at least one week). In the first year of the academy's life the audit visit will be more detailed than in subsequent years due to the auditors' requirement to document local procedures and control processes.

See also the ARK Schools Responsible Officer Policy.

2.7. Training and Development

It is the responsibility of individual academies to ensure that their staff receive appropriate training to carry out their roles.

This is supplemented by training sessions arranged by ARK Schools. At least once per year ARK Schools will arrange training on PS Financials and Soprano. In addition, ARK Schools will arrange at least termly meetings of all Finance and Resource Directors. Agenda items for these meetings may be suggested by those within academies, and will include possible areas of joint training.

Governor training remains the responsibility of ARK Schools.

2.8. External Liaison

Since the network covers a large number of individual Local Authorities it will be the responsibility of the academy to lead on all matters relating to Local Authorities. Where there are areas of wider concern these can be led on by ARK Schools, but these will be agreed with academies beforehand.

ARK Schools will lead on all discussions with the DfE and other central government bodies as appropriate.

Where areas of expenditure or actions are required to be passed to the Secretary of State DfE for their formal approval or notification, this should be done by ARK Schools. The areas this would cover include:

- any guarantees, indemnities and letters of comfort entered into;
- write off of debts or liabilities owed to the academy over £1,000;

- any ex-gratia payments;
- any freehold sales or purchases;
- the grant or take up of any leasehold or tenancy agreement for more than 3 years;
- capital disposals with an original cost of over £20k financed from DfE sources;
- any loss arising from suspected theft or fraud exceeding an amount set out in the annual funding letter.

It is the responsibility of the academy to notify ARK Schools of such expenditure or actions before commitments are made so that statutory obligations can be met.

3. Alternative network approaches

The standard approach of an FRD and small finance team may remain appropriate for a large secondary academy. However as smaller schools, including primaries, enter the network, alternative structures will be more cost effective. ARK schools may therefore appoint an FRD (or equivalent) to oversee a small group of academies as part of a ‘hub’ structure. Likewise ARK Schools reserves the right to look at moving transactional finance functions into a centralized (though not at Kingsway) team, to maximize economies of scale. Any such changes would be discussed with affected academies long before implementation.

4. Advice and Support

Although there is a clear division of responsibilities between the academy and ARK Schools, in practice it is expected that there will be a closer and more informal way of working between the parties. The academy will be able to contact the team to discuss any issues of concern.

One area where further expertise is required at ARK Schools is PS Financials and Soprano. All finance staff will undergo relevant training to ensure that they can act as advisers to the network on the use of PS Financials and Soprano. Where further trouble shooting support is required then this will be provided by the ARK Schools ICT team and is covered by the Service Level Agreement with them.

5. Disagreement Resolution

ARK believes that one of the benefits of a network is an open, honest and collaborative approach to working. It is therefore hoped that most disagreements can be resolved informally between the relevant parties. However where this does not prove to be possible then the following process of escalation should be followed.

Where the academy is unhappy with the work of the ARK Schools Finance Team, then the academy Finance and Resources Director should approach the ARK Schools Chief Operating Officer. If they

are dissatisfied with the response then they should then approach the Managing Director, ARK Schools.

Where ARK is unhappy with the work of the academy finance team then the ARK Schools Finance and Resources Director should approach the academy Finance and Resources Director. If they are dissatisfied with the response then they should then approach the academy Principal.

Where resolution proves impossible then the matter will be referred to the Chair of the ARK Schools Board.

6. Charges

The services outlined in this document will be provided free of charge to the academy by ARK, other than the contribution agreed from the partial retention of the central spend grant.

Where additional service provision is undertaken by ARK Schools then this may become chargeable to the academy. The service and the level of charge will however be agreed with the academy before any liabilities are incurred.

Likewise no charge will be raised by the academy to ARK Schools for any services provided, except by prior agreement.

See also the ARK Schools Central Charging Policy.

Appendix 1 – Expenditure paid by ARK Schools 2011-12

The following list reflects areas of expenditure that are commissioned and paid for by ARK Schools.

- Provision of advice and services covering HR, audit, clerking and ICT
- Supernumerary staff provided by ARK
- Recruitment costs for Principal appointments (where not claimed externally, such as EFA 'lead in' claims)
- CRB and health screening costs for newly recruited staff
- Health and safety annual inspection charges
- Governor training
- Principal's bonus
- Responsible Officer inspections
- Principal weekend residential costs
- CMIS licence costs
- Online back up costs

The following list reflects areas where some elements may be paid for by ARK Schools. Please check with ARK Schools before committing expenditure on their behalf.

- Marketing support
- Generic recruitment advertising
- CPD advice and support

This list reflects the situation in 2011-12 and should not be considered to be a commitment to similar subsidy in future years. The list will be discussed and reissued by the end of April each year for the year commencing in the following September.