

Financial Management Guidance

This guidance includes recommended financial controls which will help to embed good levels of financial practice - reducing the risk of financial instability, misappropriation and allegations against staff and individuals linked to the business.

GUIDELINES FOR GOOD FINANCIAL MANAGEMENT & CONTROL

All settings should ensure that the following financial management and controls are in place. The business should be able to provide assurance to Warwickshire County Council that their financial management process is operating effectively. Robust business and financial planning systems must be used to help inform this.

Financial and Business Planning

- annual cash flow forecast including projections for future years and a budget that is reviewed and agreed prior to the start of each new financial year.
- cash flow forecasts should cover a minimum of 3 years.
- robust business planning systems that link to financial plans, budgets and forecast e.g., business plan reviewed at least annually.
- business planning including; market research, advertising, short, medium and long term planning.

Employees

- employees should have an up-to-date formal contract, including clear terms and conditions, working hours and remuneration, holiday entitlement, workplace pension, sick pay arrangements, notice periods and information regarding disciplinary and grievance procedures.
- the contract should be signed promptly by the employee and proprietor or a nominated member of the voluntary committee / board as the employer.
- a secure personal file should be in place for each employee.

Income

- pre-numbered duplicate receipts must be issued for all cash / cheque income received. Duplicate receipts ensure that there is a copy for records.
- robust systems need to be in place for handling cash transactions, two persons should receive cash payments - count and record.
- child attendance must be recorded which clearly identifies hours of attendance including specific number of funded hours.
- additional hours after funded hours should be charged at the settings advertised rates.
- invoices for chargeable attendance must be raised regularly.
- £0 charge forms or invoices for funded only children must be issued regularly.
- late payment procedures should be in place for unpaid invoices, unpaid invoices should be followed up promptly.
- cash and cheques must be locked away at all times, banking should be undertaken regularly in line with the settings policy/insurance on limits of cash onsite.
- in the unlikely event that money is taken home at night, personal insurance should be in place for the individual.

- income must be paid into the bank promptly and in full. Bank paying in slips must clearly show the split between cash and cheques and should list each cheque individually.
- income must not be used for cashing personal cheques, other payments, or topping up petty cash.
- Fidelity insurance should be held (financial protection from employee theft).

Payroll

It is important that the person processing the payroll should have relevant experience or undertake training in this area.

- only the Proprietor / Management Committee / Board should authorise new starters.
- the Proprietor / Management Committee / Board should hold a list of all employees and this list should be updated with new starters and leavers. Ofsted must be notified of a change in manager, committee members, trustees or directors.
- making appointments, changes to individuals' conditions or terminating the employment of staff should be separate from the duties of processing wage claims.
- only staff authorised by the Proprietor / Management Committee / Board should approve claims.
- HMRC payments for employees' tax and NI must be made when due.
- employees' personnel files should be held securely to comply with the Data Protection Act and General Data Protection Regulations (GDPR)
- employees should have access to their own file under the supervision of a responsible person.

Petty Cash

- maximum petty cash levels should be agreed, with clearly defined responsibility for its administration.
- only authorised staff should have access to petty cash.
- income should not be added to petty cash.
- payments from petty cash should be limited to minor items only.
- all expenditure from petty cash should be supported by receipts.
- a record should be kept of amounts paid into and taken out of the petty cash fund.
- the petty cash fund should be periodically monitored and reconciled by an independent person, for example, the Treasurer.
- personal cheques should not be cashed from petty cash.
- petty cash must be held securely.

Expenditure

- a minimum of two signatures/authorisations should be required to raise a cheque/BACS payment.
- supporting documentation should be made available when authorising payments to safeguard against inappropriate expenditure.
- cheque stubs must be fully completed.
- only staff authorised to sign orders, invoices and cheques must do so. A list of authorised staff should be maintained.

- all expenditure should be supported by a receipt, invoice, or pay claim / contract of employment for wages/salaries.
- approval should be sought for all expenditure above a predetermined limit where necessary.
- pre-numbered, duplicate orders should be used.
- telephone orders should always be confirmed with a written order.
- quotes should be obtained for goods and services over a predetermined amount.
- goods and services should be reconciled against orders. This should be done by someone other than the person who authorised the order.
- the invoice should be reconciled to the order prior to payment.
- payment should be made within the terms and conditions stated on the invoice.
- to avoid a duplicate payment, once the invoice has been paid, it should be marked with the transaction number, the word 'Paid', the date paid, and stored securely.

Retention of Documents

- it is a requirement of funding that all documents and financial records relating to the claim should be retained for 7 years (i.e., current year plus 6 years).

Voluntary Run Organisations

Warwickshire County Council has produced a short guide to support members of Voluntary Managed settings – please contact your Early Years & Childcare Sustainability Officer for a copy.

All voluntary Management Committees / Boards should meet on a regular basis. The role of the volunteers and any members should be clearly defined to enable everybody to understand what is expected of them. Every member of the Management Committee / Board must be aware of the need to act reasonably and responsibly to avoid personal liability.

Management arrangements should be reviewed annually, and this should include making all staff aware of their individual roles and responsibilities.

An important role of the Management Committee / Board is overseeing the financial management of the business. They should be able to provide assurance to Warwickshire County Council that the financial management is operating effectively.

Recommended systems:

- annual cash flow forecast including projections for future years and a budget that is reviewed and agreed prior to the start of each new financial year.
- cash flow forecasts should cover a minimum of 3 years.

- robust business planning systems that link to financial plans, budgets and forecast e.g., business plan reviewed at least annually
- business planning including; market research, advertising, short, medium and long term planning.
- agree Finance Officer/Secretary roles and responsibilities.
- agree expenditure limits for specified roles i.e., secretary, manager, treasurer, without full committee / board permission.
- receive & review regular financial reports from the Financial Officer/Secretary (at least quarterly), which shows how the business has performed against cash flow projections / budget, explanatory notes should be included for variations.
- question unexplained variations.
- make sustainable decisions on expenditure.
- authorise expenditure above a predetermined limit.
- ensure a robust system is in place for authorising expenditure and salary payments e.g., multiple signatures / authorisations required for BACS / Cheque payments.
- ensure HMRC payments in respect of employees' Tax and NI have been made.
- ensure correct pension systems are in place for all employees.
- ensure that minutes are taken of all meetings which reflect the full committee's / board's review of financial reports presented, information discussed, and all decisions taken.
- ensure the Chair, with another committee / board member, signs off the minutes as an accurate reflection of the meetings.
- monitor the effect of major decisions at future meetings.
- authorise staff members responsible for raising orders, paying invoices and signing cheques and ensure that robust procedures are in place e.g. one staff member should not be responsible for performing all tasks
- review and approve the annual accounts.

Finance Officer, Treasurer and Secretary

The roles of the Finance Officer, Treasurer and Secretary should be separated to provide a division of duty between monitoring and financial reporting and recording and maintaining records.

The role(s) of the Finance Officer, Treasurer and Secretary should be clearly defined in line with the specific responsibilities as outlined below. The responsibilities should be supported by good financial management and controls as outlined in this document.

Robust accounting systems should be in place to ensure that funds are managed, and a clear audit trail is in place.

Various systems can be used for this purpose e.g., computerised accounting packages or manual ledger options.

The designated Finance Officer / Secretary should be responsible for:

- preparing and submitting Funding Entitlement returns to the Warwickshire County Council Early Years Funding Team as required under regulations.
- ensuring financial, admission and attendance records are maintained, providing evidence that children being claimed for are entitled to funding.
- ensuring all parents complete, sign, and return a Parental Declaration Form as required. Any amendments should be added to the form and signed and dated by parents.
- promptly informing the Early Years Funding Team of any exceptional changes
- providing the Early Years Funding Team with any necessary documents requested to evidence funding claims including business health checks and audits.
- raising invoices, including 'zero charge' invoices for children receiving funded hours.
- raising orders within the constraints of delegated financial limits
- checking that goods or services have been received and are satisfactory.
- raising cheques for payment (should **not** act as a signatory) for expenditure.
- managing income, fees, funding & grants etc.
- banking income promptly, maintaining accurate banking records.
- safe storage of cash, cheque books and bank statements – lockable storage should be used.
- safeguarding of other documentation that falls under the Data Protection Act 1998 and General Data Protection Regulations (GDPR)

It is acknowledged that these duties may be carried out on a day-to-day basis by another member of staff or an external service on behalf of the setting.

The Treasurer is responsible for:

- producing annual cash flow forecast.
- producing all relevant financial monitoring reports, reconciliation against approved annual budgets/ cash flows and preparation of monitoring reports for committee / board meetings.
- performing regular bank reconciliation, addressing discrepancies.
- fulfilling the HMRC, Pension, Companies House and the Charity Commission requirements, e.g., VAT (if registered), Corporation Tax, national insurance, income tax payments and relevant annual returns.
- preparing the annual accounts and submission for relevant auditing.
- presenting accounts to committee / trustees / directors for their review and approval.

<i>Type of Organisation</i>	<i>Annual Accounts Requirement</i>
Private Providers and Independent Schools	Independent Audit
Unincorporated Associations	Independent Audit or accounts signed off by a suitably qualified person.
Company limited by guarantee	Comply with Companies House requirements.
Registered charities	Comply with Charity Commission requirements