



**DISCOVERY**  
EDUCATIONAL TRUST

## **Finance and Resources Committee Terms of Reference**

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## **1. Introduction**

The Finance and Resources Committee (FRC) is a Committee of the Discovery Educational Trust (DET) Trust Board (TB).

The constitution, membership and proceedings of any TB Committee is determined by the Trustees.

The establishment, terms of reference, constitution and membership of any TB Committee is reviewed, at least, once in every 12 months, usually at the first TB meeting of each academic year.

The membership of any TB Committee may include persons, who are not Trustees, provided that (with the exception of the Local Schools Committees (LSC)) a majority of members of any such Committee are Trustees.

Except in the case of a LSC, no vote on any matter shall be taken at a meeting of a TB Committee unless the majority of members of the Committee present are Trustees.

In the event of an equal division of votes, the Chair of FRC uses their casting vote. In accordance with the DET Articles of Association, the Chair's casting vote is in addition to their standard vote.

## **2. Membership and Quorum**

- Minimum of four Trustees.
- Employees of DET should not be members of FRC.
- The Chair of the TB should not be the Chair of FRC.
- Quorum: Three Trustees.
- Membership should include, at least, one Trustee with recent financial experience.

In attendance, as appropriate:

- Chief Executive Officer (CEO)/Accounting Officer (advisory capacity only).
- Executive Headteacher (EHT)/Headteachers (HT).
- DET Chief Financial and Operations Officer (CFOO).
- Representatives of Internal and External Auditors.
- Representatives of Pay and Performance Management Committees.
- Other DET employees.

Attendees do not contribute to the quorum and do not have a vote.

## **3. General**

- DET must take full responsibility for its financial affairs, stewardship of assets and use of resources efficiently to maximise outcomes for pupil.

- The TB must retain overall responsibility for DET's funds, but can approve a written Scheme of Delegation (SoD) of financial powers to FRC to maintain robust internal controls.
- The TB must approve a balanced budget and any significant changes to it, for the financial year to 31 August, which can draw on unspent funds brought forward from previous years. The TB must minute its approval.
- FRC contributes to DET's strategic priorities and improvement plans and ensures that each School has the resources needed to deliver its chosen curriculum.
- Safeguarding and equalities implications are considered when undertaking all FRC functions.

#### **4. Purpose**

The role of FRC is one of financial scrutiny and oversight, to support the TB in maintaining DET as a going concern. The role of FRC is also to scrutinise all aspects of Human Resources and Estate Management.

- Internal controls – DET must have sound internal control, risk management and assurance processes.
- Financial planning and monitoring – DET must have both an annual budget and longer-term financial plans linked to the strategic development of DET.
- Cash management and investments – both must be managed in a robust and transparent manner.
- Procurement – must adhere to the three principles of economy, efficiency and effectiveness that underpin value for money.
- Human Resources Management – DET must have an effective and engaged workforce.
- Estate Management – DET must have a strategic approach to Estate Management that, inter alia, reduces running costs, procures efficiently, ensures a safe and healthy environment and gives a good impression of DET and its Schools to parents/carers, pupils, staff and visitors.

#### **5. Internal Controls**

FRC should ensure that the internal control procedures follow the tiered approach detailed below:

- clearly communicated procedures, structures and training of staff.
- appropriate day-to-day supervision and checks by management.
- internal scrutiny overseen by an Audit and Risk Committee (ARC).
- external audit and assurance.

FRC oversees the following, to ensure that DET staff, Local Governors and Trustees:

- adhere to the delegated financial authorities as detailed in the Academy Trust Handbook, DET Financial Regulations and SoD.
- maintain appropriate segregation of duties.
- coordinate the planning and budgeting process.

- apply discipline in financial management, including managing debtors, creditors, cashflow and monthly bank reconciliations.
- manage and oversee assets, and maintain a fixed asset register.
- ensure regularity, propriety and value for money in DET's activities.
- reduce the risk of fraud and theft.
- deliver independent checking of controls, systems, transactions and risks.

To ensure the above, FRC requires regular reporting and monitoring for each of the above areas of oversight and develops an annual programme to ensure that each area is given proper consideration by FRC. Recommendations are made to the TB, as required.

## **6. Financial Planning**

FRC:

- ensures that financial plans are prepared and monitored, satisfying itself that DET remains a going concern and is financially sustainable.
- takes a longer-term view of DET's financial plans consistent with the requirement to submit three-year budget forecasts to Education and Skills Funding Agency (ESFA).
- as part of its management of DET's funds, explains its policy for holding reserves in its annual report. Information on how DET must report on reserves is set out in the Accounts Direction.

## **7. Budget Setting and Curriculum Delivery**

FRC must:

- ensure rigour and scrutiny in the budget setting, submission and monitoring process.
- ensure that budget forecasts for the current year and beyond are compiled accurately, based on realistic assumptions, including any provision being made to sustain capital assets and reflect lessons learned from previous years.
- challenge pupil number estimates as these underpin revenue projections and review, as required.
- support an integrated approach to curriculum and financial planning so that the Schools are confident about planning the best curriculum for their pupils and delivering DET's educational priorities with the funding they have available.
- ensure that sufficient funds are set aside for pay increments as set out in the DET Pay Policy, and as recommended by the CEO and the EHT/HT.

## **8. Budget Submission to ESFA**

FRC must:

- ensure an accurate and timely Budget Forecast Return (BFR), which is submitted each May.
- ensure an accurate and timely Budget Forecast Return Three Year (BFR3Y), which is submitted each June.

## 9. Budget Monitoring

FRC must:

- receive and review the management accounts every month, ensuring the accuracy of financial performance and position.
- recommend appropriate action to ensure ongoing viability and advise the TB accordingly.
- ensure that the management accounts are shared with the Chair of the TB every month irrespective of DET's size, and with the other Trustees six times a year, even if they do not meet in each of those months. The TB must consider these when it does meet and minute it.
- ensure that appropriate action is being taken to maintain financial viability, including addressing variances between the budget and actual income and expenditure and advise the TB accordingly.
- ensure that the format of monthly management accounts includes:
  - an income and expenditure account;
  - variation to budget report;
  - cashflows and;
  - balance sheet.
- select key financial performance indicators and measure DET's performance against them regularly, including analysis in its annual Trustees' report as explained in the Accounts Direction.
- Work with the CFOO to prepare the annual Trustees' report.
- Alert the TB to any concerns about financial performance, in order that the TB may act quickly, ensuring that DET has adequate financial skills in place.

## 10. Cash Management and Investments

### Cash Management

FRC must ensure that DET is managing its cash position robustly by monitoring the cashflow statements prepared as part of the monthly management reports.

### Investments

The TB may invest to further DET's charitable aims, but must ensure that risk is properly managed.

FRC, when agreeing an investment, must:

- adhere to "[CC14 Charities and investment matters: a guide for trustees](#)".
- adhere to DET's Articles of Association.
- adhere to the DET's Treasury Management Policy to manage and track its financial exposure and ensure value for money.
- exercise care and skill when approving investment decisions, taking advice as appropriate from a professional adviser.
- ensure that exposure to investment products is tightly controlled in order that security of funds takes precedence over revenue maximisation.

- ensure that investment decisions are in DET’s best interests.
- review DET’s investments and Treasury Management Policy, as required.

## 11. Procurement, Leases and Value for Money

### General Approach

DET must be able to show that public funds have been used as intended by Parliament.

### Procurement

Whenever possible, DET must use purchasing frameworks, such as the Crescent Purchasing Framework (CPC) or Crown Commercial Service (CCS) or use Department for Education (DfE) deals for its Schools that make buying simpler and quicker and can provide better value for money. FRC ensures that:

- spending has been for the purpose intended, and there is probity in the use of public funds.
- spending decisions represent value for money.
- internal delegation levels exist, and are applied.
- a competitive tendering policy is in place and applied and the procurement rules and thresholds in the [Public Contracts Regulations 2015](#) are observed, unless alternative arrangements to these regulations are introduced.
- professional advice is obtained, where appropriate.

### Leasing

There are two types of lease:

- finance leases: these are a form of borrowing.
- operating leases: these are not borrowing.

DET must obtain ESFA’s prior approval for the following leasing transactions. Therefore, FRC needs to review all leases and identify the following:

- taking up a finance lease on any asset for any duration from another party, which is subject to the borrowing restrictions described below:
  - DET must obtain ESFA’s prior approval for borrowing (including finance leases and overdraft facilities) from any source, where such borrowing is to be repaid from grant monies, or secured on assets funded by grant monies, regardless of the interest rate chargeable.
  - credit cards must only be used for business expenditure, and balances must be cleared before interest accrues.
  - DET can only be granted permission for borrowing in exceptional circumstances, such as schemes introduced by the Secretary of State to meet broader policy objectives, for example, the Department’s Condition Improvement Fund for capital projects and the Salix scheme that supports energy saving.
- taking up a leasehold or tenancy agreement on land or buildings from another party for a term of seven or more years.
- granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings, to another party.

Other than the above, DET does not require ESFA's approval for operating leases.

## 12. Estate Management

- To provide support and guidance to the TB and the CEO on all matters relating to the maintenance and development of the premises and grounds, including Health and Safety.
- To ensure that an annual inspection of the premises and grounds takes place and a report is received identifying any issues.
- To inform the TB of the report and set out a proposed order of priorities for maintenance and development, for the approval of the TB.
- To arrange professional surveys and emergency work as necessary.
  - *The EHT/HT is authorised to commit expenditure without the prior approval of FRC in any emergency where delay would result in further damage or present a risk to the health and safety of pupils or staff. In this event, the EHT/HT would normally be expected to consult the FRC Chair at the earliest opportunity.*
- To monitor actuals vs. forecast for all projects with spend of £500k+, on a termly basis.
- To establish and keep under review an Accessibility Plan and a Building Development Plan.
- To ensure that the TB's responsibilities regarding litter, refuse and dog excrement are discharged according to Section 89 of the Environmental Protection Act 1990, so far as is practicable.
- To ensure compliance with the DfE Good Estate Management for Schools (GEMS) guidance, and to receive regular updates.
- To receive the five-year premises plan as part of the budgeting process.
- To annually approve a scale of charges for the letting of School sites as recommended by the LSCs.

## 13. Staffing

FRC:

- ensures that the Schools are staffed sufficiently for the fulfilment of the Schools' Improvement Plans and the effective operation of the Schools.
- ensures that staffing procedures (including recruitment procedures) follow equalities legislation.
- annually reviews and approves procedures for dealing with staff discipline and grievances for noting by the TB.
- monitors approved procedures for staff discipline and grievance, and ensures that staff are kept informed of these.
- recommends to the TB, staff selection procedures, ensuring that they conform with safer recruitment practice, and reviews these procedures, as necessary.
- oversees any process leading to staff reductions, in consultation with staff.
- monitors staff turnover and retention rates to ensure that DET remains an employer of choice with an engaged workforce.

- monitors staff absence rates, long-term and short-term, and ensures a focus on mental health and wellbeing strategies across DET.
- monitors staff disciplinary and grievance processes, and reasons, to ensure that any underlying issues are managed effectively and efficiently.
- monitors all appeal processes outside of Pay, Performance Management and Capability to ensure robust scrutiny and fair outcomes.
- monitors staff demographic across age, gender and ethnicity to better understand DET's workforce, and to ensure a diverse and inclusive working environment.
- monitors staff recruitment and Continuing Professional Development (CPD) strategies to ensure best practice.
- establishes the annual and longer-term salary budgets and other costs relating to personnel, e.g. training.

## **14. Value for Money**

The Trustees must ensure regularity and propriety in the use of DET's funds and achieve economy, efficiency and effectiveness – the three elements of value for money.

The Trustees must ensure that the Accounting Officer is able to demonstrate how DET has secured value for money via the Governance Statement in the audited accounts.

## **15. Authority**

FRC receives its authority from the TB. All decisions made by FRC must be ratified by the TB at the TB meeting immediately following the FRC meeting at which the decision is taken.

FRC has the authority to conduct or authorise investigations into any matters within its scope of responsibility. It is empowered to:

- investigate any activity within these Terms of Reference.
- seek any information that it requires from any employee. All employees are directed to cooperate with any requests made by FRC. Timescale is as specified by FRC.
- seek relevant information from subcontractors, consultants and other third parties and consult the Internal and External Auditors as needed. Timescale is as specified by FRC.
- obtain outside legal or independent professional advice. Such advisers may attend meetings, as necessary.
- ensure that there are no unjustified restrictions or limitations on the work performed by the Internal or External Auditors.
- review examinations conducted by internal agencies and any corrective action taken.
- ensure allegations of fraud and irregularity are properly pursued.
- convene a confidential session and exclude any, or all, participants and observers, excepting the Governance Professional/Clerk.

## **16. Frequency of Meetings and Proceedings**

FRC meets, a minimum of, three times each year:



- Autumn:
  - review of approved budget.
- Spring
  - budget planning;
  - six-month management report review;
  - BFR;
  - review of the School Resource Management Self-Assessment Checklist (SRMSAC).
- Summer
  - budget approval and BFR3Y.
  - review and approve lettings charges as recommended by the LSCs.

FRC also meets at such other times as the Chair of FRC deems to be appropriate.

Unless otherwise agreed by all members of FRC, notice of meetings, confirmation of the venue, time and date together with an agenda and all relevant papers, are normally circulated to each member, at least, seven days prior to the date of the meeting.

In the absence of the Chair, FRC members choose an Acting Chair for that meeting from among their number. In the absence of the Governance Professional/Clerk, FRC members choose a Clerk for that meeting from among their number. The CEO should not assume this responsibility.

## **17. Reporting**

The Governance Professional/Clerk minutes the proceedings and resolutions of FRC. Minutes of FRC meetings are promptly circulated, following clearance by the Chair of FRC, to all members of FRC for approval. Minutes are presented and acknowledged at the next TB meeting by the Chair of FRC or another FRC member.

## **18. FRC Responsibilities for Documents and Policies**

- BFR review.
- BFR3Y review.
- Budget Plan +3 years and +5 years review and recommend to TB for approval.
- Asset Management Plans.
- Capability Procedure review and approve for noting by TB.
- Charging and Remissions Policy review and approve for noting by TB.
- Employee Code of Conduct review and approve for noting by TB.
- Employee Discipline and Dismissal Procedure review and approve for noting by TB.
- Early Career Teachers' Statutory Induction Policy review and approve for noting by TB.
- Equality and Diversity in Employment Policy review and approve for noting by TB.
- Financial Regulations and Financial Regulations SoD review and approve for noting by TB including the Best Value Statement.
- Flexible Working Policy review and approve for noting by TB.
- Gifts and Hospitality Policy review and approve for noting by TB.

- Grievance Procedure review and approve for noting by TB.
- Leave of Absence Policy review and approve for noting by TB.
- Management accounts, cashflow and balance sheet – review monthly.
- Menopause Policy review and approve for noting by TB.
- Mental Health and Wellbeing Policy review and approve for noting by TB.
- Pensions (Local Government) Discretions Policy review and approve for noting by TB.
- Pensions (Teachers’) Severance Discretions Policy review and approve for noting by TB.
- Performance Management Procedure review and approve for noting by TB.
- Premises Management Policy review and approve for noting by TB.
- Probation Procedure review and approve for noting by TB.
- Employee Recruitment Procedure review and approve for noting by TB.
- Redundancy and Restructuring Procedure review and approve for noting by TB.
- Revenue and Capital Reserves Policy review and approve for noting by TB.
- Sickness Absence Management Policy review and approve for noting by TB.
- SRMSAC and Benchmarking review (as generated by the Annual Accounts Return (AAR)).
- Treasury Management Policy review and approve for noting by TB.

The TB should refer to DfE’s material on improving school resource management, including the [Top 10 planning checks for governors](#). To help manage capital assets and budgets, it should refer to the [Good Estates Management for Schools guidance](#) including the organisation self-assessment tool, [Top 10 estate checks for boards](#) and material on strategic estate management.

## **19. Wellbeing**

FRC must ensure that, in all discussions and for all decisions taken, the mental and physical wellbeing of all DET staff and pupils is a key factor for consideration, and that no decisions are approved where there is any doubt as to the impact on this wellbeing.