



Education
Funding
Agency

Schools financial value standard (SFVS)

Support notes

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Introduction

This guidance document is produced by the Education Funding Agency (EFA). It provides clarification for each of the 25 questions on the Schools Financial Value Standard (SFVS) assessment form, the completion of which is a mandatory requirement for local authority (LA) maintained schools.

The SFVS helps schools to manage their finances and to provide assurance to the LA that they have secure financial management in place.

The guidance applies to:

- governing bodies of maintained schools
- management committees of pupil referral units
- LAs
- other interested parties

Other schools are welcome to use any of the material associated with the standard, if they would find it useful.

This guidance includes examples of good practice and details further support available to assist schools in addressing specific issues.

We have produced additional resources to help schools complete the SFVS effectively. This includes guidance on reviewing and analysing the spread of skills and competencies amongst governors and staff with financial management responsibilities.

Section A: governing body and school staff

Q1. Governing body and staff with adequate financial skills

In the view of the governing body itself and of senior staff, does the governing body have adequate financial skills among its members to fulfil its role of challenge and support in the field of budget management and value for money?

Part 1: what does the question mean?

What are the main financial skills needed by the governing body?

The governing body of a maintained school should be able to:

1. provide strategic leadership including:

- linking the development of strategic plans with available resources
- identifying viable options and selecting or recommending those most likely to achieve the school's goals and objectives
- understanding the best financial management practice and moving the school towards it

2. ensure accountability including:

- understanding the statutory responsibilities applying to the school and the local authority financial requirements for maintained schools
- undertaking appropriate budget setting and budget monitoring activities
- communicating the school's financial performance to parents and the public in a clear and concise manner

3. act as a critical friend including:

- using analytical skills to challenge constructively
- asking probing questions of the school leadership team.

Why it is important for the governing body to have adequate financial skills

It is essential for the governing body to have access to adequate financial skills to ensure they meet their statutory responsibilities for the financial management of the school and can safeguard the large amounts of public money for which they are responsible. Not all governors need all these skills, but collectively members of the governing body (and finance committee or equivalent) should have these skills among them. Adequate skills are defined in the additional resource document available on the SFVS web page.

Why it is important for the governing body to challenge and support the headteacher

The governing body has a statutory responsibility to support and challenge the headteacher. Members of the governing body do this to ensure that:

- resources are deployed appropriately in line with the school's priorities
- planned levels of financial performance are achieved
- the school avoids incurring financial loss and waste
- the school receives favourable audit assessments

What are the key financial roles of the governing body and its committees?

The governing body is given its powers and duties as an incorporated body. The statutory responsibilities of the governing body of a maintained school are detailed in section 21 of the Education Act [2002](#). Their key financial roles are to:

- manage the school budget
- decide on how to spend the delegated school budget, depending on any conditions for maintained schools set out in the local authority scheme for financing schools
- be consulted by their local authority on funding
- ensure accurate school accounts are kept
- determine the number and type of staff and a pay policy in accordance with the School Teachers Pay and [Conditions](#)
- act as a 'critical friend' to the headteacher by providing advice, challenge and support

Part 2: good practice

The school should identify whether the governing body has the right skills

Schools should analyse their governing body's skills on a regular basis to identify any skills gaps. The governing body's skills should be reviewed whenever appropriate, for example, if there are significant changes to the membership or to individual governors' roles and responsibilities. A good way for a school to assess their governing body's current skills is to use a matrix that summarises the main financial management skills that the governing body should have. The matrix will help governors identify the skills they have and those that collectively they need to acquire.

Further information on accessing an example financial skills matrix is available in the additional resource document available on the SFVS web page. The matrix covers a set of key financial areas, and asks governors to assess whether the key skills are embedded, developing or not in place in their school. Once the governing body has

assessed their skills, they can put in place actions to help ensure that collectively they have adequate financial skills.

The governing body should not only have but should be seen to have adequate financial skills

Governors have a collective responsibility for important financial decisions in the school and are answerable to parents and the wider community. Therefore, they should be seen to have adequate financial skills, and might wish to explain how they meet this requirement on their website and in reports to parents.

A well-run school must be willing and able to show how it has used its resources and be able to respond honestly to questions about its financial probity. Openness, transparency and integrity are key principles of good governance and financial management.

Part 3: what do you do if things are not right in your school?

What to do if your school's governing body doesn't have adequate financial skills

If your governing body doesn't have adequate financial skills, you should identify which specific skills are lacking. You should think about:

- what the governing body's collective training needs are
- whether individual governors have the right skills for their particular role
- who the best person is to fill each skills gap
- the best way for a governor to acquire a specific skill
- how additional skills can be acquired through recruitment

This can then be developed into an action plan to address the current skills gaps.

Further information

The [Governance handbook](#) includes information on appointing, training and managing school governors.

The EFA provide [online information, tools, training and guidance](#) to help schools improve their financial management and efficiency, including specific guidance for governors.

Example financial management skills matrix for governors is also available in the additional resources document on the SFVS web page.

[National Governors Association \(NGA\)](#) provides guidance on everything relating to governors including online finance training.

[School Governors One-Stop Shop \(SGOSS\)](#) provides information on recruiting volunteers to serve on school governing bodies and guidance for schools having difficulty [recruiting governors](#) with financial expertise.

Q2. Governing body's finance committee (or equivalent)

Does the governing body have a finance committee (or equivalent) with clear terms of reference and a knowledgeable and experienced chair?

Part 1: what does the question mean?

The role of the governing body's finance committee (or equivalent)

Governing bodies are responsible for setting their school's annual budget. Most schools have a finance committee, the governing body delegates some financial responsibilities to them and they report to the full governing body. However, the finance committee is non-statutory and so governors can determine their individual requirements and delegate their financial responsibilities to one or more committees, if desired.

What are clear terms of reference for a finance committee?

In schools where a finance committee has been set up, the governing body should define in writing the terms of reference for the committee and the extent of its delegated authority. These should be reviewed annually or if there are any changes to its committee members. The committee's terms of reference set out the parameters of its operations and the limits on the powers which have been delegated.

What knowledge and experience does the chair need?

It is important that the chair has a good understanding of financial matters and experience in chairing committees and/or meetings. They need to be able to:

- lead the development of strategic plans
- identify viable options and select or recommend those most likely to achieve the school's goals and objectives
- have a clear understanding of best financial management practice and the school's performance compared to it
- understand the statutory financial requirements for the school, and the local authority's requirements for maintained schools
- understand the importance of communicating the school's performance to stakeholders
- have a commitment to the school and the work of the governing body
- present information and views clearly and influentially to others

Why it is important for the committee to have clear terms of reference and a chair who is knowledgeable and experienced

It is essential for the governing body to have access to adequate financial competencies to ensure they meet their statutory responsibilities for the financial management of the school and can safeguard the large amounts of public money for which they are responsible.

Part 2: good practice

The governing body should set clear terms of reference for its committee dealing with school finance.

Terms of reference for the finance committee would normally include:

- recommendation of the annual budget to the governing body including the delegation of the budget responsibilities to budget managers
- regular monitoring of actual income and expenditure against each budget and revised forecast for the year
- awarding of contracts by tender up to a specified limit
- reviewing reports by internal audit and the finance governor/responsible officer (if applicable) as to the effectiveness of the financial procedures and controls
- delegation limits above which the approval of the governors is needed before goods or services can be purchased or money can be moved between budget headings. The level of these limits will vary according to the size of your school.

The tasks the finance committee should perform

A finance committee has, at the very least, the following tasks to perform:

- preparation of draft budget
- appraising different expenditure options
- assessing expenditure bids
- forecasting rolls and expected income levels
- monitoring and adjusting in-year expenditure
- ensuring accounts are properly finalised at year end / reviewing outturn
- evaluating the effectiveness of financial decisions
- ensuring there are effective and appropriate systems of internal financial control
- the administration of voluntary funds

How often should the finance committee meet and report to the full governing body?

The finance committee should provide the governing body with an on-going involvement in financial issues. It should meet frequently enough to discharge its responsibilities (in most schools at least once a term but requirements may vary due to financial matters requiring the committee's attention, such as capital projects). The finance committee minutes should be reported to the governing body and all decisions made must be reported to the next meeting of the main governing body, usually with sufficiently detailed minutes.

Making sure the finance committee has an effective membership with adequate financial competencies

Membership will be determined by the governing body, but should include the head teacher and people with financial expertise. If the governing body does not have governors with appropriate financial expertise, it may appoint associate members to the finance committee. Associate members are people with relevant skills and expertise and are a way that schools with limited financial expertise on the governing body can invite suitably qualified individuals to serve on their committees. Associate members do not have voting rights on the budget and financial commitments of the governing body.

Part 3: what do you do if things are not right in your school?

What to do if your governing body does not have a finance committee (or equivalent) with clear terms of reference

The governing body should ensure that an appropriate committee (or equivalent) is established as soon as possible and provide them with written terms of reference (see above). The governing body should review the membership and terms of reference for its committees annually.

How to make sure your finance committee has a knowledgeable and experienced chair

Governing bodies should carry out skills audits to identify the skills that are present on the governing body and those that are missing so that this can be addressed by targeting governor recruitment activity. A skills audit would help identify those who have the necessary skills to undertake the role of chair of the finance committee. The Education Funding Agency has an example skills matrix that you could use as part of a skills audit.

Further information

[The Governance handbook](#) includes information on appointing, training and managing school governors.

The EFA provide [online information, tools, training and guidance](#) to help schools improve their financial management and efficiency, including specific guidance for governors.

Example financial management skills matrix for governors is also available in the additional resources document on the SFVS web page.

[National Governors Association \(NGA\)](#) provides guidance on everything relating to governors including online finance training.

[School Governors One-Stop Shop \(SGOSS\)](#) provides information on recruiting volunteers to serve on school governing bodies and guidance for schools having difficulty [recruiting governors](#) with financial expertise.

Q3. Definition of responsibilities of governing body and school staff

Is there a clear definition of the relative responsibilities of the governing body and the school staff in the financial field?

Part 1: what does the question mean?

What is a clear definition of relative responsibilities?

A definition, in writing, which is discussed and agreed by the governing body and senior school staff. It should clearly specify the roles and responsibilities for the financial affairs at the school, including the roles of the governing body, head teacher and finance staff (as applicable) e.g. bursar, school business manager, finance officer, finance assistant.

Why is it important for the relative responsibilities to be clearly defined?

To ensure that:

- all essential duties are carried out and all requisite controls exercised without unnecessary duplication of effort by staff and governors
- staff fully understand their responsibilities in respect of financial management, and can be held accountable for how they carry them out
- the limits of each person's financial responsibility and authority can be prescribed
- the best means can be determined for giving governors the financial information they need for decision-making purposes

Part 2: good practice

What responsibilities should this definition cover?

The definition should cover all the main financial responsibilities of the school staff and governing body, specifying who is responsible and whether any responsibility has been delegated from the governing body to a committee or the head, and/or from the head to other staff. Under section 21 of the Education Act 2002, governors are required to:

- manage the school budget, consider the annual budget plan, approve the budget, consider and approve any proposed revisions to the budget plan
- decide on how to spend the delegated budget depending on any conditions set out in the local authority scheme for financing schools within the financial year
- decide whether to delegate their powers to spend the delegated budget to the head teacher. If so, they should establish the financial limits of delegated authority
- be consulted by the local authority (LA) on significant changes to the LA's funding;
- make sure accurate accounts are kept

determine the staff complement and a pay policy for the school (in accordance with School Teachers Pay and Conditions)

More detailed information on the responsibilities of the governing body and headteacher is in the additional resource document available on the SFVS web page.

Schools should make sure the definition is regularly reviewed and that all governors and staff are aware of it

It is good practice to regularly review the definition to ensure that it is up-to-date. An annual review should be sufficient unless there are key changes in staff during the year which affect the definition, for example if the school appoints a school business manager for the first time. The school should make sure that all governors and staff are aware of the definition and understand its implications for their own role and responsibilities.

Part 3: what do you do if things are not right in your school?

What to do if your school does not have clearly defined relative responsibilities of the governing body and the school staff with regard to financial matters

The school should draft a clear definition which should be considered and agreed by both the governing body and all school staff with financial responsibility. More detailed information is in the additional resource document available on the SFVS web page, including examples of what a definition would typically cover.

Further information

[The Governance handbook](#) includes information on appointing, training and managing school governors.

The EFA provide [online information, tools, training and guidance](#) to help schools improve their financial management and efficiency, including specific guidance for governors.

Example financial management skills matrix for governors is also available in the additional resources_document on the SFVS web page.

[National Governors Association \(NGA\)](#) provides guidance on everything relating to governors including online finance training.

[School Governors One-Stop Shop \(SGOSS\)](#) provides information on recruiting volunteers to serve on school governing bodies and guidance for schools having difficulty [recruiting governors](#) with financial expertise.

Q4. Monitoring reports of the school's budget position

Does the governing body receive clear and concise monitoring reports of the school's budget position at least three times a year?

Part 1: what does the question mean?

What is a clear and concise monitoring report?

A clear and concise monitoring report will enable the governing body to review income and expenditure against the agreed budget. It will identify variances, provide meaningful explanations for these and explain what will be done to re-balance the budget. It should be in an easy to understand format that can be automatically generated from base financial records.

Why is it important for the governing body to receive clear and concise monitoring reports of the school's budget position at least three times a year?

To enable the governing body to meet their statutory responsibilities for the financial management of the school and so they can safeguard the large amounts of public money for which they are responsible. It is important that the monitoring reports are produced at times when action can be taken on them to good effect.

Part 2: good practice

The monitoring reports for the governing body should be part of the school's wider financial monitoring

Prompt, accurate and up-to-date financial information should be readily available at the appropriate levels within schools. To achieve this, schools will require clearly defined and properly used channels of reporting to the governing body on a regular basis, which should include the finance committee if the school has one. The governing body should review the income and expenditure against the budget at least three times a year.

The monitoring report should have an appropriate level of information to be easily understood by the governing body

A school that is well managed financially will report different levels of detail, with a suitable narrative explanation to different users. Monitoring reports for the governing body should include numeric information, including about the profiled budget, spend to date and end of year projections. They should also include a brief narrative covering report that highlights what the main variations are, briefly explains the reasons for the variations and suggests what would be appropriate corrective action.

The governing body should review income and expenditure against the budget

For the process to be effective, it is crucial for governors to review the budget monitoring reports, considering the variances and forecast over and under spends. They should discuss the report and question the head teacher on any areas of concern e.g. variances or where they are unsure whether value for money is being achieved. They should ensure that the necessary action is taken so that the actual net expenditure is affordable, given the school's budget and spend to date.

Staff should have access to the monitoring reports and should know about the schools' budget and financial affairs

The school should make sure that all staff are informed of the school's annual budget, how funding is allocated and profiled, and how the school's finances are monitored during the year. They should understand how their allocated funding and their actions affect the school's overall financial position. Once the budget has been set, it should be reviewed with relevant staff members at key points throughout the year to ensure that spending is going to plan and that budget holders understand their responsibility to keep spending on track.

Staff are likely to take better care of resources if they understand how these fit into the school's overall budget. It is important for staff to be aware of the impact that the budget can have on teaching resources and understand that saving money in areas such as procurement will mean that more of the budget can be invested in the school's teaching and learning priorities.

Part 3: what do you do if things are not right in your school?

What to do if your governing body does not receive adequate monitoring reports

The governing body should identify the specific problem. For example, this could be the quality or accuracy of the information; the amount of detail provided; insufficient explanations of variances or plans to address them; or how up-to-date the information is. It could be that the information presented is too detailed and/or lacks a covering narrative explanation, so that the governing body cannot easily identify the significant variances and other areas of concern.

If the school lacks appropriate software or processes to easily produce adequate monitoring reports, this needs to be addressed (see the support note for question 23 for more information).

Further information

The [Governance handbook](#) includes information on appointing, training and managing school governors.

The EFA provide [online information, tools, training and guidance](#) to help schools improve their financial management and efficiency, including specific guidance for governors.

Example financial management skills matrix for governors is also available in the additional resources document on the SFVS web page.

[National Governors Association \(NGA\)](#) provides guidance on everything relating to governors including online finance training.

[School Governors One-Stop Shop \(SGOSS\)](#) provides information on recruiting volunteers to serve on school governing bodies and guidance for schools having difficulty [recruiting governors](#) with financial expertise.

Q5. Business interests of governing body members

Are business interests of governing body members and staff properly registered and taken into account so as to avoid conflicts of interest?

Part 1: what does the question mean?

What does the proper registering of business interests involve?

All governors and staff should complete the school's Register of Business Interests. This register should be kept up-to-date and be freely available for inspection by governors, staff and parents. For maintained schools, the guidance for local authority (LA) schemes for financing schools states that LA schemes should require schools' governing bodies to have a Register of Business Interests.

What interests should be declared to avoid conflicts of interest?

All business interests should be declared that could result in a conflict of interest:

- financial - interests in a contract or proposed contract by direct or family connection
- appointment - interests in the provision for sponsor governors or interests in someone's appointment, reappointment or suspension from office as a governor or clerk to the governing body
- pay and performance - interests in the pay or appraisal of someone working at the school in cases where the governor or staff member is also paid to work at the school

Why is it important for the governing body members and staff to make declarations of business interests?

Governors and staff have a responsibility to avoid any conflict between their business and personal interests and the interests of the school. This is essential for effective and accountable financial management of the school.

Part 2: good practice

The governing body and staff should make regular declarations of business interests

"Declarations of interest" should be a standing item at the beginning of the agenda for every governing body meeting to help identify potential conflicts of interest and if any updating or further action is needed.

Making sure declarations are taken into account to avoid conflicts of interest

The governing body should use their up-to-date Register of Business Interests in every meeting to identify any conflicts of interest. Individuals are responsible for declaring immediately if they have a conflict of interest with any matter being discussed. If there is a conflict of interest, the relevant person is required to withdraw from a meeting and not vote on the issue in question.

Part 3: what do you do if things are not right in your school?

What to do if business interests are not properly registered and taken into account

The school should immediately establish a Register of Business Interests and ensure all interests are declared. If 'declarations of interest' is not an agenda item at governing body meetings, this should be drawn to the attention of the clerk to the governing body. The register should be discussed at the beginning of each meeting so that it helps to identify potential conflicts of interest and the need for anyone to withdraw or not vote.

What to do if you believe a business interest is not being declared

Should a governor or member of staff believe that another governor or member of staff has a conflict of interest in an issue under discussion that has not been declared, they should draw this to the attention of the governing body. It will be for the governing body to determine whether the individual with the alleged conflict of interest should withdraw from the meeting and not vote on a particular issue.

Further information

[The Governance handbook](#) includes information on appointing, training and managing school governors.

The EFA provide [online information, tools, training and guidance](#) to help schools improve their financial management and efficiency, including specific guidance for governors.

Example financial management skills matrix for governors is also available in the additional resources document on the SFVS web page.

[National Governors Association \(NGA\)](#) provides guidance on everything relating to governors including online finance training.

[School Governors One-Stop Shop \(SGOSS\)](#) provides information on recruiting volunteers to serve on school governing bodies and guidance for schools having difficulty [recruiting governors](#) with financial expertise.

Q6. Access to an adequate level of financial expertise

Does the school have access to an adequate level of financial expertise, including when specialist finance staff are absent e.g. on sick leave?

Part 1: what does the question mean?

The main areas of expertise to which a school needs access include:

- development of strategic financial plans
- understanding of and ability to operate good financial management practices
- understanding of national and local financial requirements for the school, and the school's own framework of financial control
- understanding and operation of budget setting and monitoring
- operation, control and monitoring of the financial systems

Why are financial skills important?

All schools have significant budgets and can exercise flexibility in the way they use them. Schools need access to staff with a high level of financial management competencies because of the complexity of financial management issues in schools. Most schools will employ these staff themselves, but some smaller schools may share staff or buy in services. It is important that skills are updated on a regular basis in line with changing school policies.

What cover is needed when specialist finance staff are absent?

It is very important that school finance systems can continue to operate in the absence of a key member of staff. Larger schools may well employ enough staff with financial skills to be able to ensure that staff know one another's jobs and the school can manage internal cover. For smaller schools, it may well be necessary to set up other arrangements, such as agreements between neighbouring primary schools, agreements between primary schools and local secondary schools, or (for maintained schools) insurance arrangements to secure expertise from the local authority.

Part 2: good practice

Employment of appropriate staff

Teachers are not likely to be trained in finance. It is therefore important to employ, or have access to, non-teaching staff with appropriate financial skills. In larger schools, it is good practice to employ a school business manager and make them a member of the senior leadership team. They are then best able to support the headteacher and other senior staff in the field of finance and managing resources. Smaller schools may need to share or buy in such expertise.

The school should identify whether staff with financial responsibility have the necessary skills

Schools should analyse the skills of staff with financial responsibilities to look for any gaps and identify any training and development needs. One way to assess your staff's current skills is to use a skills matrix: see section 8(1) for how to access an example financial skills matrix. The skills matrix should identify the staff's skills and whether the skills are held by the staff who, in organisational terms, are best placed to use them.

Schools need to ensure that financial skills and knowledge are, so far as possible, spread around different members of staff. This will help to deal with staff absences; with the situation where a key member of staff decides to leave the school; and with ensuring controls and separation of duties as a precaution against mistakes or fraud.

Part 3: what do you do if things are not right in your school?

What to do if your school does not have access to an adequate level of financial expertise

If your school lacks access to financial expertise, you should identify which specific skills are lacking, and then think about how to secure them. They might be developed through coaching or training of existing staff and/or filled through recruitment and/or buy in of services.

What to do if your school does not have adequate cover for staff absence

You should set up appropriate arrangements as soon as possible. See part 1 above which covers some of the forms such arrangements might take.

Further information

Developing financial management capability in schools is normally achieved through training, recruitment and/or buying in expertise from other schools. Maintained schools should start by contacting their local authority. Local authorities offer a variety of financial management courses covering all levels of staff and can give help and guidance on recruitment. In addition, the following provide help and advice:

[GOV.UK](#) includes information on training, finding and appointing school staff.

The EFA provide [online information, tools, training and guidance](#) to help schools improve their financial management and efficiency, including specific guidance for governors.

An example financial skills matrix is available to analyse the skills a school needs is available in the additional resources document on the SFVS web page.

Suppliers of financial management software – most suppliers provide courses on how to use their systems. The courses are run directly or through a training company.

[National College for Teaching and Leadership](#) provides a range of information and support for school leaders.

The [Institute of Leadership and Management](#) has accredited 3 school business management qualifications.

[National Association of School Business Management \(NASBM\)](#) – provides information and training for all those involved in school business management, enabling staff to update their financial management knowledge and skills.

Q7. Review of staffing structure

Does the school review its staffing structure regularly?

Part 1: What does the question mean?

What is a staffing structure?

The structure is how the staff in the school are organised and is often described in a chart showing all the staff of the school.

Why is it important that the school regularly reviews its staffing structure?

So that the structure matches as closely as possible to the current and future needs of the school, which will change over time. Staff are a school's most valuable resource. Regularly reviewing the staffing structure gives the head teacher and governing body opportunity to consider how they are making the most of the skills and talents of their staff, how the curriculum can be delivered, how the needs of the pupils can be met and how best value is secured for the school. Staffing costs often represent up to 80% of a school's budget.

Part 2: good practice

What can the school do to achieve this?

The staffing structure should be described in an open document for all staff to see. It should be clear and accurate, and identify roles and responsibilities attached to posts. Also, it is good practice to display staff details and roles via the school's website and notice boards etc., to give parents a clear picture of who is working at the school.

Some schools find it helpful to do this alongside their regularly updated skills audit which can give headteachers and governing bodies a clear picture of their staff's competencies.

When should the structure be reviewed?

There is no one answer, but it would be good practice to review the structure if the school's size or curriculum changes or is likely to change in the medium term, or if there is going to be a high degree of staff turnover for any reason. Prospective changes in key posts such as deputy head may also be a reason to review the structure. It is not always necessary to review the whole structure. It is helpful to develop a culture of openness in career planning within the school so that the head teacher can plan for changes and consider, for example, succession planning for key posts.

Part 3: what do you do if things are not right in your school?

What should you do if your staffing structure is unclear?

Ensure that a clear and comprehensive staffing structure is agreed and communicated as soon as possible.

What should you do if your staffing structure has not been reviewed recently?

Set a review in train as soon as practicable, which will look at all the current staff and posts and consider whether any changes would be desirable especially in light of changing roll, curriculum, or budgets.

Further information

For maintained schools, local authorities can be a useful source of help, advice and information.

[GOV.UK](#) provides a wide range of support and information for schools. School Teachers' Pay and Conditions are also [available](#) here.

The EFA provide [online information, tools, training and guidance](#) to help schools improve their financial management and efficiency.

Membership organisations (such as NAHT, NGA, ASCL, NASBM) provide information and support on these staffing and strategic management issues to their members.

[National College for Teaching and Leadership](#) provides a range of information and support for school leaders. It also provides a range of resources especially around succession planning, recruitment, managing performance and managing resources well.

Q8. Pay decisions reached in accordance with a pay policy

Have your pay decisions been reached in accordance with a pay policy reflecting clear performance criteria?

Part 1: what does the question mean?

What kind of pay decisions does my school need to make?

Since 2013, schools have the freedom and responsibility to make individual pay decisions for all classroom teachers and senior leadership teachers explicitly linking annual pay decisions to performance.

What do we mean by ‘clear performance criteria’?

Schools need to set out clearly in their pay policy the criteria which will be taken into account when making judgements about whether teachers have met their objectives and the relevant standards, and any additional criteria e.g. for movement to the upper pay range.

Part 2: good practice

Schools should ensure they have a robust pay policy which is based on clear performance criteria.

This will help ensure that pay decisions are objective and equal. To support this, schools should give due regard to equalities considerations throughout the appraisal and pay determination cycle – if unsure, schools should refer to page 33 to 37 of the DfE’s [Implementing your school’s approach to pay](#).

Should teacher’s objectives be based on student achievement?

Teacher’s performance objectives should be closely linked to their school’s priorities as defined by school leadership and the governing body. It may well be appropriate for an appraisal process to consider a number of factors for example: impact on pupil progress; impact on wider outcomes for pupils; improvements in specific elements of practice e.g. behaviour management or lesson planning; impact on wider teacher effectiveness; and, wider contribution to the work of the school.

Ultimately the responsibility to set a suitable pay policy is with schools, with oversight from the governing body. All objectives, however, should be clearly defined and measurable. Schools should consider the need for objectives enable teachers and school leaders to demonstrate performance, rather than simply results.

Are schools obliged to create their own pay policy?

Schools are obliged to establish a pay policy, but have the freedom to decide how best to implement the new pay arrangements and develop their policies according to their own individual needs.

Part 3: what do you do if things are not right in your school?

What to do if you do not have a pay policy linked to clear performance criteria

As set out in the School Teachers' Pay and Conditions Document (STPCD) 2015 (see link below), local authority maintained schools must comply with this requirement. The first pay decisions linking pay to performance should have been made in September 2014. If you believe that your pay policy does not comply with the new requirements, you should review and revise your pay policy at the nearest opportunity, taking advice from HR experts and/or Departmental Advice.

Further Information

[School teachers' pay and conditions 2015](#)

[Departmental Advice \(including advice on equalities\)](#)

Speak to the Local Authority

Q9. Use of professional independent advice and headteacher pay decisions

Has the use of professional independent advice informed part of the processes in relation to head teacher pay decisions?

Part 1: what does the question mean?

What is professional independent advice?

Impartial advice from a provider not attached to your school. Examples of professional independent advice providers could be:

- external HR providers
- other governing bodies
- LA HR providers
- other external advisers e.g. school improvement partners, employment lawyers, job evaluation companies.

When is it necessary or appropriate to use professional independent advice?

Schools may find it helpful to seek independent advice at any time they feel unsure about their pay decision processes.

LA-maintained schools **must** seek independent external advice:

- for the purposes of providing advice and support to the appraisal of the headteacher (in accordance with the Appraisal Regulations)
- if, during the salary-setting process, the governing body deems it appropriate to set a salary in excess of 25% above the maxima of the relevant pay range (as detailed in the STPCD)

Why is it important to use professional independent advice?

When a governing body deems it appropriate to determine a headteacher salary which exceeds the maxima of the pay range by more than 25%, it is important that their decision to do so is well-informed. Independent advice can support governing bodies making the case for such decisions, as well as ensuring that they are following correct procedures.

Part 2: good practice

All maintained schools must seek professional independent advice when determining headteacher salaries which exceed 25% of the stated maxima of the group size for the school.

Final decisions are at the discretion of schools, however, due regard should be given to all relevant advice.

Part 3: what do you do if things are not right in your school?

What to do if you do not currently have access to professional independent advice

Please contact your local authority, or an external, independent advisor.

Further information

[School teachers' pay and conditions 2015](#)

[Departmental Advice \(including advice on equalities\)](#)

Speak to the Local Authority

Section B: setting the budget

Q10. Link with school budget and its plan

Is there a clear and demonstrable link between the school's budgeting and its plan for raising standards and attainment?

Part 1: what does the question mean?

What is a clear and demonstrable link between the school's budget and its plan for raising standards and attainment?

An effective budget must support the school's priorities for raising standards and attainment. This can be done by ensuring that the school's plan for improving education outcomes and the budget are closely aligned and that the budget reflects the school's education priorities. See below for further information on how to achieve this.

Why is it important that there is a clear and demonstrable link between the school's budget and the plan for raising standards and attainment?

It is important to ensure strategic spending and value for money. If a school has to fund activities designed to raise standards and attainment that have not been budgeted for, there is a risk that the school may get into deficit. The plan for raising education outcomes and the budget need to be integrated so that the school can weigh up whether it has enough funds to pay for the activities that it believes are necessary for the school to achieve its education objectives. Also, it will be easier to show value for money if objectives within the plan have been achieved within the budgetary constraints.

Aligning the school's budget and the plan to improve standards and attainment should:

- help the school understand the impact that its intended plans will have on the workload of its staff
- highlight the most effective way for the school to use their workforce to improve outcomes for their pupils
- help the school to assess whether the actions are viable and cost-effective

Part 2: good practice

How to link the school's plan to raise standards and attainment to its financial plans and budget

To ensure that the plan for improving education outcomes is viable and that its implementation is feasible, it should be supported by a financial plan that costs each element of it. When starting the process for setting objectives around attainment and standards and budget plans, it is important that:

- timetables for devising the plan for raising attainment and standards and the budget are integrated
- decisions made around budgets and improving pupils' education outcomes are made in tandem with the opportunity to review and revise them together throughout the year at key milestones
- the same group of staff have responsibility for setting education priorities for the school and setting the budget. See further information below for tools that can help with this.

In addition, it is important that both the budget and plan are consistent with the staffing commitments made in the school timetable.

How to improve value for money by aligning budgets and plans for raising standards and attainment

Schools that are committed to continuously improving their efficiency ensure that financial decisions are always made in the context of their plans to improve education outcomes and equally that their education objectives are costed and regularly reviewed alongside the budget. They find that deciding about deployment of resources is often easier if the starting point is 'what will help us achieve our priorities and improve the learning experience of our pupils' – this enables funding to be properly targeted.

Part 3: what do you do if things are not right in your school?

What should you do if there is not a clear and demonstrable link between the school's budget and its plan for raising standards and attainment?

If you do not feel that there is a demonstrable link between your school's plan for raising standards and attainment and its budget, re-assess the budget and plan together. You should be able to cost your plan and assess it throughout the year against the budget (see further information below on how to achieve this).

In future years, make sure that the start of the process of setting budgets and putting together a plan to raise education outcomes are done in tandem, as detailed above.

Further information

The EFA provide online information, tools, training and guidance to help schools improve their financial management and efficiency, including on strategic financial management.

[National College for Teaching and Leadership](#) provides a range of information and support for school leaders.

Q11. Forward projection of budget

Does the school make a forward projection of budget, including both revenue and capital funds, for at least three years, using the best available information?

Part 1: what does the question mean?

What is a forward projection of budget for three years?

A forward projection of budget is a projection of the school's income and expenditure for the immediate following year and at least two succeeding years. Some schools like to make projections for five years. The projection should include both revenue and capital funds and spending.

Why is it important?

It is impossible to plan for a school's running and development on the basis of just one year at a time. Schools need to look forward on the basis of the best available information, recognising that they will have to make adjustments as fresh information comes in.

What assumptions are needed?

The principal assumptions are around:

- future numbers of pupils and their characteristics
- class and group sizes
- staffing profiles and increments
- pay and price increases
- changes in revenue and capital income
- procurement and maintenance (e.g. fabric and fittings, ICT equipment, whiteboards)

Part 2: good practice

All schools should carry out a forward projection of budget

It is possible to carry out budget projections using a simple spread sheet but it is preferable to use more specialised budget planning software. Many local authorities and private providers offer such software, which is normally separate from a finance accounting system.

Schools should integrate making forward budget projections with agreeing their wider school development plans. This will help to ensure that planned resource allocations match the school's priorities. It is important to make sure that projections of income, including income raised by the school itself, are realistic and achievable.

Making a projection in the absence of confirmed funding

For most schools there will be some uncertainties about future funding, future pupil numbers and about the costs of staffing (since teachers may leave and new teachers arrive). It is therefore important to model a range of scenarios about income and costs, and look at how the school's budget could be balanced or brought back into balance in the different scenarios. In addition, pupil number changes will always have the most significant impact on future funding levels, regardless of any potential changes to the system, and so it should be possible to model a range of scenarios in the absence of confirmed funding.

The school should also take account of all available public information. For example, the allocations for the dedicated schools grant 2016-17 were published in December 2015 [here](#). The local authorities funding formulae 2016-17 was published in March 2016. Further information on the settlement and the pupil premium is available on the DfE website.

Part 3: what do you do if things are not right in your school?

What do you do if your school is not making a forward projection of budget?

The school should acquire appropriate software and set up a budget planning system. The local authority may be able to provide guidance to maintained schools on using an existing system or approach.

Maintained schools should contact their local authority for further information and support.

Further information

[GOV.UK](#) – for information on schools funding. [Dedicated Schools Grant \(DSG\)](#) includes guidance on the methodology used for calculating the allowances, individual authority allocations, how the DSG fits with the overall school funding settlement and pupil premium allocations.

The EFA provide online information, tools, training and guidance to help schools improve their financial management and efficiency, including on the benefits of workforce planning.

[National College for Teaching and Leadership](#) – information and support for school leaders.

Q12. Well-informed and balanced budget

Does the school set a well-informed and balanced budget each year (with an agreed and timed plan for eliminating any deficit)?

Part 1: what the question means

What is a well-informed and balanced budget?

A balanced budget is one that will lead neither to an excessive surplus at the end of the year nor to a deficit. A budget is well-informed when it takes account of the best available information on all variables, such as pupil numbers and staffing changes.

Setting an annual budget is an absolute requirement as part of the local authority's (LA's) own budgeting arrangement (as set out in the LA scheme for financing schools).

Good financial management in schools is about keeping track of where the money is coming from and where it has gone and how best to make use of the remaining budget. Effective budget monitoring reports provide vital information about spending patterns that help management make realistic forecasts of year-end, under or overspends.

Timing of the budget

For maintained schools, the local authority's scheme for financing schools will set out when schools have to return their budgets for the relevant financial year to the local authority.

Elimination of a deficit

A minority of schools will have an existing deficit. Maintained schools must have a plan to eliminate the deficit that is agreed by the governing body and with the local authority. The plan will set out the timing for eliminating the deficit and the actions required in order to eliminate it.

Part 2: good practice

How to set a well-informed and balanced budget

Schools will need to assess the main influences on the budget on the basis of the best available information, for example:

- Known staffing changes
- Pay awards and increments
- Income assumptions
- Changes in pupil numbers
- Buy-back services from the local authority or external providers

Most schools should be aiming for a small surplus at the end of the year. A small number may be aiming to arrive at a much larger surplus for a particular project: maintained schools should provide details of this to the local authority. Others will be aiming at full or partial elimination of an existing deficit.

Schools should integrate budget setting with their wider plans for school development to ensure that resource allocations match their school's priorities. A good budget will allocate resources to these areas of need or development and therefore will help the school to achieve its aims.

Schools should involve a range of staff in budget planning

There is evidence that staff take better care of resources when they are involved in the planning. It is good practice to involve teachers and other staff in planning the budget for their areas, consulting them on future needs and on ways of making efficiency gains.

Part 3: What do you do if things are not right in your school?

What to do if your budget setting is not well-informed

Schools will know that their budget process is not well-informed if they have a record of expenditure being well out of line with budget. In these circumstances, appropriate action would be to review the projections within the budget that proved to be inaccurate, and think of ways in which more accurate projections could be made or more accurate information obtained. The local authority should be able to provide guidance and support to maintained schools.

What to do as a maintained school if you have a deficit not agreed with the local authority

A few schools may have an existing deficit but not a deficit reduction/elimination plan agreed with the local authority. Such schools should contact their local authority as a matter of urgency to agree an appropriate plan. The local authority's scheme for financing schools will contain provisions for the approval of licensed deficits that all schools would need to refer to.

Further information

Maintained schools should contact their local authority for further information and support.

[GOV.UK](#) – for information on schools funding. [Dedicated Schools Grant \(DSG\)](#) includes guidance on the methodology used for calculating the allowances, individual authority allocations, how the DSG fits with the overall school funding settlement and pupil premium allocations.

The EFA provide online information, tools, training and guidance to help schools improve their financial management and efficiency, including on the benefits of workforce planning.

[National College for Teaching and Leadership](#) – information and support for school leaders More information on the budget setting process is available in the Additional Resource document.

Q13. Outturn in line with budget projections

Is end year outturn in line with budget projections, or if not, is the governing body alerted to significant variations in a timely manner, and do they result from explicitly planned changes or from genuinely unforeseeable circumstances?

Part 1: what does the question mean?

What is an end year outturn?

End year outturn is what the school actually spends during the year, as opposed to the amount that it budgeted to spend during the year.

Why should outturn be close to budget projections?

This would demonstrate that the budget has been well planned, so that the costs actually likely to arise have been taken into account. If this happens, the school will not risk falling into an unplanned deficit, or ending up with an excessive surplus for which it has no plans.

What factors might cause outturn to be different from budget even if the planning was good?

The school might need to plan changes during the year, for example if more pupils arrived in September than it had expected.

Alternatively, there might be genuinely unforeseeable circumstances such as the long-term illness of one or more members of staff.

Part 2: good practice

Making sure that the governing body are alerted in a timely manner

School staff should monitor the budget on a monthly basis so that they can alert the governing body as soon as they become aware that the end year outturn may be significantly different from the budget projections. If it appears that there may be significant variances, these should be reported immediately to the governing body. The school should not wait for the termly meeting to report.

Providing the governing body with good information on significant variations

Information given to the governing body should include the expected size of the variation, a narrative covering the reasons for it and options for any action that could or should be taken to put the budget back on track.

Part 3: what do you do if things are not right in your school?

What should you do if outturn is different from budget projections without a good explanation?

You should take action to review the process of setting the budget, to ensure that it is taking all relevant factors into account. You should ensure that expenditure is monitored against budget throughout the year; that significant variations from budget are investigated and explanations written up; that the governing body receives regular reports of this process; and that the governing body has sufficient information to understand the reasons for the variances and make decisions on any proposed actions.

Further information

[GOV.UK](#) – for information on schools funding. [Dedicated Schools Grant \(DSG\)](#) includes guidance on the methodology used for calculating the allowances, individual authority allocations, how the DSG fits with the overall school funding settlement and pupil premium allocations.

The EFA provide online information, tools, training and guidance to help schools improve their financial management and efficiency, including on the benefits of workforce planning.

More information on the budget setting process is available in the Additional Resources document on the SFVS web page.

The support note 4 provides further information on budget monitoring.

[National College for Teaching and Leadership](#) – information and support for school leaders.

Section C: value for money

Q14. Benchmarking

Does the school benchmark its income and expenditure annually against that of similar schools and investigate further where any category appears to be out of line?

Part 1: what does the question mean?

What is benchmarking and why is it important?

Benchmarking is a process for comparing income and expenditure in detail with that of similar schools to consider whether and how your school can use resources better and identify where changes can be made. This process should be undertaken annually, but benchmarking can also be carried out at any time when reviewing school contracts for procuring goods and services. Schools should report their findings from benchmarking to the governing body.

What information should schools use to benchmark their income and expenditure?

All maintained schools submit their income and expenditure data using the Consistent Financial Reporting (CFR) framework. This standardised set of codes enables maintained schools to compare their income and expenditure with that of similar schools. Schools' can produce simple charts and reports for governors to show how their money is spent in comparison to other schools. Some local authorities provide their own benchmarking data as well.

Why do schools need to benchmark against similar schools?

So that meaningful comparisons can be made when comparing income and expenditure. If a school compares itself to all schools or a random group then the differences are likely to reflect the schools' different circumstances, such as proportions of deprived pupils, rather than help the school identify ways to secure better value for money. Importantly, schools can benchmark effectively against schools whose characteristics differ to some degree – you do not need a set of “identical” schools to make meaningful comparisons.

Part 2: good practice

All schools should ensure they are benchmarking effectively

Schools should use benchmarking as a contributing factor to:

- planning and managing their budget
- identifying areas and setting targets for improved use of resources

- achieving value for money in expenditure and improving its effectiveness to improve performance
- delivering educational services to a defined standard

Benchmarking your income and expenditure can help create a cycle of continuous improvement and develop a culture where it is easier to question the norm and make changes. Benchmarking is not used solely to focus on reducing costs, but also to improve the quality and impact of the school's services. Benchmarking can be most effective when done in collaboration with other schools, and can be used as a tool for improving or bringing about change and raising standards.

Selecting the right schools to benchmark against

You should select a cohort of schools based on your own school's characteristics. You should be selecting "like for like" to get a better understanding of your school's income and expenditure and that of other schools in your benchmark set. The characteristics of your selected set should allow sound comparisons to be made, enable you to ask questions about different categories of income and spend and encourage constructive discussions with comparator schools to help your school make changes in performance over time. Typical parameters for selection would include area, school size and percentage of deprived pupils.

Interpreting the chart data for your school and others

Care should be taken when interpreting comparative income and expenditure data. This information describes the position of a school relative to others – it does not explain why a school is in this position or indicate whether it should be. There may be good reasons for a school to have relatively high or low figures. What is important is that the school reviews the differences, questions the reasons for them and aims to make changes where there are not adequate reasons for their income or spending being out of line in a particular category.

Part 3: what do you do if things are not right in your school?

What to do if your school does not regularly benchmark

The school should begin to benchmark immediately. Information about the Schools Financial Benchmarking website for maintained schools is in the further information section below and your local authority is also a source of advice on benchmarking. As all schools are responsible for spending large amounts of public money each year, they need to demonstrate value for money to parents, auditors and regulators by showing that this money is being well spent to achieve the best outcomes for their pupils.

What to do if a category of spend appears to be out of line

First, you should consider whether your school has particular circumstances that create valid reasons for this. If there are not, you should consider what factors have led to this and then how the use of these resources can be improved in the future.

Further information

There are a number of sources that maintained schools can use to begin or improve their use of benchmarking.

[GOV.UK](#) - you can access information on the supporting legal framework for school revenue funding, including requirements for best value in local authority schemes for financing schools. Please refer to paragraph 2.4 of the [guidance on local authority schemes for financing schools](#).

[Schools Financial Benchmarking](#) - contains data for all maintained schools. The website provides data that reflects the income and expenditure codes that schools use to submit their annual CFR returns and enables comparisons to be made with other similar schools. Data currently on the website is for 2014 - 2015. Guidance on how to use the website can be located by clicking on the Help button. The website keeps data for the last 5 financial years and so schools and local authorities that log on will be able to view their historical data. Schools cannot benchmark their historical data with other schools.

More information on benchmarking can be found on the [EFA's Schools Financial Health and Efficiency webpages](#).

Local authority – schools can contact their local authority to obtain any benchmarking data they have. This usually relates to schools within a single authority and so can be comparable and easy to interpret. Schools could focus on data relating to a particular area of concern.

Q15. Procedures for purchasing goods and services

Does the school have procedures for purchasing goods and services that both meet legal requirements and secure value for money?

Part 1: what does the question mean?

What procedures are needed for purchasing goods and services?

Procurement describes the whole process of identifying the goods or services a school needs to meet its objectives, deciding how to acquire these, choosing the best supplier, receiving goods / managing contracts, and paying for the purchased goods or services. Procurement procedures are needed to ensure that every purchase is managed in the most effective and appropriate way. The higher the amount being spent, the more formal this process needs to be.

Why do schools need to understand and deliver effective procurement processes?

- Schools have a duty to ensure purchases (or leases) made with public funds are fair, legal and open, as well as securing the best possible value for money. They must be able to demonstrate that they are achieving this and complying with UK legal requirements
- Maintained schools must make sure they are complying with the requirements of their local authority, including any tendering thresholds, as set out in their scheme for financing schools (see further information below).
- Weak or non-compliant procurement exposes a school to the risk of legal challenges that are costly, time-wasting and harmful to the school's reputation.
- Poor decisions on purchasing or leasing goods and services can cause long term financial problems
- It's harder for a school to deliver good value for money without effective procurement management

What does value for money mean for schools?

Paying the best possible price for the right goods or services for the specific need that has been identified. This involves assessing the 'whole life cost' of the purchase. For example, the cheapest cleaning products may not be the best purchase if they don't last as long or do as good a job as a better quality, more costly product.

Part 2: good practice

Staff involved in purchasing decisions should have basic procurement skills and understanding

Anyone in the school who is involved in buying and spending decisions should be aware of – and comply with – the basic procurement procedures. Ways to improve the skills and knowledge of staff include (and see further information):

- online learning resources
- accredited training (for example, courses run by the Chartered Institute of Purchasing & Supply)
- advice and coaching from other staff or governors with procurement qualifications or experience
- seeking help and advice from local schools and other education providers
- help and support from the school's local authority procurement officers

Establish basic procurement procedures and make sure they are used

Basic procurement good practice procedures include:

- clear designated roles to ensure separation of duties between staff responsible for making buying decisions and making payments
- a basic decision tree or procedural manual, setting out what needs to happen at each stage of procurement. For example:
- identify the need (why do you want to purchase this? do you have sufficient budget? is it the highest priority right now?)
- decide the right procurement approach (low value items need minimal control; higher-value ones should be managed more formally, to ensure probity and minimise the risk of costly mistakes)
- understand the market (do you have a good choice of suppliers? Do you know what kind of prices and deals you might expect?)
- choose the supplier (for low-value purchases, this may mean getting three quotes and selecting the best. High-value purchases may need a formal competition and tender exercise)
- manage receipt (check goods have arrived as described, or manage on-going service contracts to maintain the quality of delivery)
- make payment (one-off or on-going over the life of a contract)
- finish (procedures for the end of a contract, or disposal of obsolete assets; lessons learnt).

Procurement good practice includes the consideration of leasing goods and services rather than buying them. However, schools should not assume that the salesperson has the school's best interests at heart. If an offer sounds too good to be true, it probably is!

An operating lease is a rental type agreement where the school pays a fee for the hire of the equipment and is the only type of lease a school should enter into.

- a finance lease is akin to hire purchase and cannot be entered into as it is a form of borrowing

- leasing is a complex area – it is often difficult to know whether a specific lease is legally compliant and will provide good value for money for your school. Before entering into any significant lease, it is good practice to seek advice from your local authority

Get value for money from every purchase

Schools should:

- use common sense – taking too much time over low value purchases leaves less time to get the expensive, challenging ones right
- shop around – use competition to encourage established suppliers to offer better value deals
- do the research – knowing about the products as well as the suppliers helps you make informed choices
- get expert advice for specialist purchases – it may be good value to pay for professional help with complex procurements e.g. ICT installation
- use frameworks (lists of suppliers who have overarching agreements with public bodies) – this can reduce the risk of not complying with legal requirements and reduce the procurement procedures required because suppliers will have already been through some of them
- think creatively – is there a better way to meet the objective than by buying outright? Could you borrow or lease instead? Are there opportunities to work in partnership with other schools or educational bodies in the area?
- review your existing contract and lease arrangements to make sure they're in line with DfE policy and guidance. Multi - Functional Devices (MFDs) are a key area where there could be scope for a better deal. Evidence and case studies show that there are many inappropriate leases in schools costing significantly more than they need to

Part 3: what do you do if things are not right in your school?

What to do if your school doesn't have a procurement / purchasing protocol

Use the suggestions set out above to improve knowledge and understanding of what procurement is and how it can help the school to deliver its objectives and make best use of the available budget. Then develop and use a protocol ensuring effective procurement controls.

What to do if your school is not complying with procurement regulations or the school's own established procedures

Make sure all staff involved in procurement, including those who approve any spending decisions, understand the legal consequences of noncompliance. You may need legal or local authority advice if your school has signed contracts which you think may be

vulnerable because proper procurement procedures weren't followed, or if you're 'trapped' in a costly on-going contract.

Further information

Maintained schools should contact their local authority for further information and support.

[GOV.UK](#) – procurement information, tools and further sources of support including the different of leases that schools need to be aware of.

[Schemes for Financing Schools](#) - provides information on local authority schemes for financing schools which must include a provision requiring schools to abide by the local authority's rules for purchasing, tendering and contracting.

[Buyways](#) – an e-learning course on basic procurement and contract management, developed specifically for all schools.

The EFA provide online information, tools, training and guidance to help schools improve their financial management and efficiency, including procurement guidance.

Q16. School balances

Are balances at a reasonable level and does the school have a clear plan for using the money it plans to hold in balances at the end of each year?

Part 1: what does the question mean?

What are school balances?

Schools may carry over part of their revenue income from one financial year to the next – the amount saved, including from previous years, is their surplus balance. Maintained schools should submit information on how much they have set aside as part of their Consistent Financial Reporting (CFR) returns.

What is a ‘reasonable level?’

At present local authorities are able to claw back surplus balances for maintained schools where they exceed ‘excessive surplus’ thresholds, and are uncommitted (ie not set aside for a specific reason as detailed in the local authority’s scheme for financing schools). The thresholds in place and commonly still being used are 5% of income (for secondary schools), or 8% of income (for primary, nursery, and special schools). However, the government has removed the requirement for local authorities to have a clawback mechanism, so some may choose not to. This means that some schools should be able to save as much as they are able to, without the risk of clawback.

Why is it important to keep balances at a reasonable level and have clear plans for using the money?

All schools should aim to spend their funds prudently with proper regard for value for money. Schools should regularly check that they have plans for the money they are holding to ensure they are getting the most benefit and best value for money from their budgets.

Where local authorities operate a clawback mechanism, schools maintained by them should ensure that they comply with the rules on balances detailed in their scheme for financing schools. These authorities are likely to monitor and challenge balances, and schools should ensure they have sufficiently robust plans to spend their balances to avoid clawback.

Part 2: good practice

Schools should plan the balances for which they are aiming

Schools should be aware of what their end year balance is likely to be, so that they can spend money appropriately, giving due regard to value for money.

Schools should have a clear plan for using the money held in balances

Schools should have plans for the money they save, and should discuss plans for balances in governing body meetings, to ensure they get the best possible value from their budgets. Schools maintained by local authorities that continue to operate a clawback mechanism should ensure they adhere to their rules on balances. They should keep accurate records of plans to spend their balances in accordance with these rules as long as their authority continues to operate a clawback mechanism.

Part 3: what do you do if things are not right in your school?

What to do if your school does not have plans for the money held in balances

The school should discuss the issue at the next governing body meeting, and start to develop plans to use the money saved, for the benefit of their pupils. If the maintaining authority operates a clawback mechanism they should ensure any plans comply with the authority's requirements, as set out in their scheme for financing schools.

Further information

Maintained schools should contact their local authority for further information and support.

[GOV.UK](#) - this website contains a range of information and resources, including:

[Schemes for Financing Schools](#) - information on the supporting legal framework for school revenue funding and local authority schemes for financing schools.

The EFA provide online information, tools, training and guidance to help schools improve their financial management and efficiency, including tips on financial planning.

[Revenue Funding Balances](#) – data on school revenue balances. Schools should continue to monitor their balances, and ensure they have plans in place for their balances where possible.

Q17. Maintenance of premises and assets

Does the school maintain its premises and other assets to an adequate standard to avoid future urgent need for replacement?

Part 1: what does the question mean?

What is maintenance?

Maintenance is the combination of all technical and associated administrative actions intended to retain an asset in or bring it to a state in which it can perform its required function. It therefore concerns the servicing, repair and renewal of the various elements that make up school premises.

What is an adequate standard?

This will depend on the life-cycle and maintenance requirements of the materials used to construct the premises (e.g. the roof coverings, the floor finishings, and the mechanical and electrical plant). It is important to know your buildings and to have an asset management plan which reflects the performance and maintenance requirements of the elements referring to suppliers' and manufacturers' guidance. Schools should develop a process that enables them to prioritise work appropriately.

What are the legal responsibilities of schools for maintaining their premises and other assets?

In the case of most local authority (LA) maintained schools, the school's premises, including its land and buildings will not be owned by the school itself, but by the local authority or diocese. The role of the school is to act as the responsible custodian of these premises. It is important to understand who owns your school's premises and your responsibilities in relation to maintaining the premises, for example the governing body of a voluntary aided school may be required to notify the LA of expected capital expenditure and take account of advice from the LA as to the merits of the proposed expenditure. They may also be required to seek consent from the LA for the proposed works. Maintained schools that do not own their premises and are unsure about their responsibilities should contact the owner of the premises for further guidance.

For a school that was procured using the private finance initiative (PFI) the operation of the school premises will be the responsibility of a private sector consortium, technically known as a Special Purpose Vehicle (SPV). The SPV is responsible for building the school premises and undertaking maintenance and life cycle replacement during the life of the contract (typically 25 to 30 years). Every PFI deal has its own particular characteristics, and it is important that you understand the role and responsibilities of the SPV in relation to maintaining your premises.

What are the key benefits of maintaining school premises and assets to an adequate standard?

- Ensures school premises are kept in good working order and continue to be available to meet users' needs ie continue to perform their required function.
- Makes best use of the premises so that they provide a safe school environment for learning.
- Reduces the need for urgent replacement which is likely to be more expensive.
- Reduces the risk of schools needing to close for urgent health and safety works.
- Maximises value for the public purse by reducing the need for premises to be replaced early due to the lack of a coordinated asset management plan.

Part 2: good practice

All schools should have a maintenance programme in place

All schools should have an asset management plan, which includes a strategy for developing, adapting and eventually replacing buildings, which is part of the school's overall planning for delivery of education. The assessment of maintenance priorities should be in the context of this broader planning so that, for instance, a decision to invest in a major maintenance project would take into account the residual life of the building. This asset management plan should include a costed maintenance programme which will contain:

- service contracts in place for building service installations and plant (the mechanical and electrical equipment)
- a programme of planned maintenance projects
- a system of managing day to day repairs

Maintenance work is often categorised as follows:

- **reactive** – this is neither planned nor cyclical, e.g. failure of a component, vandalism or accidental damage e.g. broken window repair, unblocking drains
- **planned preventative** – these are planned, routine works where annual costs can realistically be estimated e.g. changing filters on a boiler, painting walls
- **lifecycle** – these can be planned and programmed at a future point in time to replace elements/components of a facility e.g. boiler or roof

Governing bodies should ensure that maintenance work is undertaken to prevent the deterioration of the building and the emergence of health and safety hazards, including managing asbestos. The maintenance programme should look forward e.g. for five years and should be updated regularly, at least annually. Planned preventative maintenance should help avoid failures of equipment or technical systems that then require reactive maintenance. Schools should aim to minimise the amount of work that is reactive.

Schools should ensure that they get the best value for money for expenditure on maintenance by exploring jointly procuring services with other schools, and looking into 'buy back' schemes run by local authorities and others that might offer better value than managing maintenance at an individual school level.

Maintained community schools should inform their local authority if they intend to undertake alterations to the buildings so that they can receive appropriate support and guidance. In addition, other schools, for example VA schools, may also be required to notify the local authority of expected capital expenditure. Periodically, updated condition surveys/assessments are necessary for effective maintenance programmes and the local authority may have an existing survey report for the school.

Statutory Inspections

Schools are expected to undertake statutory building inspections, including:

- five yearly electrical inspections and testing
- annual electrical inspection and testing of kitchens
- statutory inspection and testing of fire alarm systems
- routine inspection and testing of emergency lighting
- regular inspection of lifts
- annual inspection and service of fixed gas heating appliances and fan convectors
- inspection and servicing of gas/oil boilers

Part 3: what do you do if things are not right in your school?

What to do if your premises and assets are in urgent need of repair or replacement

If you have identified work that needs to be carried out urgently and that has not been planned for, the school should see if funding can be identified from within its current budget to address urgent repairs. If the school is not able to fund the whole cost of the work, if possible, you should develop a plan that addresses the work in stages and that ensures the safety of those using the site. If you are a maintained school, contact your local authority or diocese to see if they are able to offer exceptional assistance.

Further information

The local authority is always the first source of information on maintenance of premises and ensuring adequate insurance is in place for maintained schools.

[GOV.UK](#) – this website contains a range of information and resources.

It includes a [Governance Handbook](#) - contains information on the statutory responsibilities of a school's governing body, including details of its legal responsibilities and how these fit in with the duties of the head teacher, the local authority and the Secretary of State for Education.

It also includes [information on school building design and maintenance](#).

[Schemes for Financing Schools](#) - provides information on local authority schemes for financing schools.

Q18. School collaboration with others

Does the school consider collaboration with others, e.g. on sharing staff or joint purchasing, where that would improve value for money?

Part 1: what does the question mean?

What is collaboration?

Collaboration is the process of working together with other schools – or other local organisations – to achieve better value overall than is possible by working separately. Collaboration usually involves either:

- sharing resources – expertise, advice, and knowledge as well as tangible resources such as equipment or staff
- collaborating to buy goods, works or services – this produces bigger and more valuable contracts, which are more attractive to suppliers, and so improves the opportunities to secure better deals

How can collaboration improve value for money?

Sharing valuable skills and knowledge makes procurement more effective, helping schools to learn from the experiences of their peers and avoiding repeating mistakes made in similar situations.

Sharing costly resources can be particularly effective if several schools can agree a 'rota' to use, e.g. specialist science or maintenance equipment, or joint use of a single teacher for a minority subject. Collaborative procurement offers opportunities to leverage a good-value deal from the combined buying power that no individual school would have when buying by itself.

Part 2: good practice

Be open and willing to discuss options with schools in your area

Effective collaboration depends on taking the initiative to establish good open working relationships with other schools, to discuss your key objectives and priorities, including on procurement, and to be honest about areas of vulnerability, such as a lack of experience in specialist procurement markets. Some schools are understandably reluctant to admit to poor procurement decisions in the past, but these can be valuable lessons to other schools in avoiding pitfalls.

Be innovative

Some forms of collaboration are familiar, such as schools joining together to joint-procure common goods and secure bulk-buying discounts. Look out for less typical options for

collaborative buying. For example, could you negotiate a shared contract for buildings maintenance? This would have advantages for potential service providers in ensuring a constant stream of regular work across several schools, rather than less predictable intermittent work required for just one school. A collaborative contract of this kind is attractive to suppliers which make them keener to offer competitive terms to secure the business.

Part 3: what do you do if things are not right in your school?

What to do if you have not considered collaboration

Think about areas in which collaboration might be valuable to the school, and about local schools with whom you might be able to collaborate.

Take the initiative in talking to those schools about what collaboration might be possible.

Be aware of the particular challenges in any collaborative procurement

Make sure you aggregate the full value of the whole contract over its entire term, don't just consider the amount your school is initially paying. Higher-value contracts will require a greater level of compliance with procurement regulations; including legal restrictions if the value is over the current EU thresholds for public sector contracts (see the support note for question 15 for more details).

Key things to consider include:

- who will have responsibility for managing any collaborative contract? This could be as simple as confirming receipt of basic goods, or could involve managing the on-going supplier relationship for a service contract
- how will you resolve any problems between the supplier and a specific school?
- do you have risk management protocols in place?
- have you considered the time resources involved in managing the contract? How will these be shared fairly between all schools?

Similar challenges exist in sharing procurement expertise:

- what is the benefit for a school whose in-house expertise is being used by other schools?
- are there any potential liability issues from following advice offered by another schools?

Further information

For maintained schools, your local authority should be able to provide further information and support on procurement, collaboration and value for money.

The EFA provide online information, tools, training and guidance to help schools improve their financial management and efficiency, including information on collaborative procurement.

Q19. Improving the use of resources

Can the school give examples of where it has improved the use of resources during the past year?

Part 1: what does the question mean?

What would be examples of improving the use of resources?

There are many possibilities. Resources cover not only goods with a clear cash value but also staff, school buildings etc. Examples could include:

- buying goods or services more cheaply without any loss of quality
- reorganising an area of work within the school to improve productivity
- switching resources towards a particular school priority such as improving attainment in maths
- using staff time more effectively by having support staff take over appropriate tasks from teachers
- gaining extra income from additional letting of the school buildings

Why is it important to improve the use of resources?

The public finances are tight and it is important that public institutions make the best use of their resources. Schools will need to continuously improve their use of resources over the next few years so that they can carry on improving standards.

Part 2: good practice

How to improve the use of resources

The school should be constantly on the lookout to improve the use of resources by reviewing contracts, reviewing the way work is done, reviewing the use of premises and reviewing the deployment of staff. Maintained schools may find it helpful to use their Consistent Financial Reporting (CFR) data and the Schools Financial Benchmarking (SFB) website to identify what areas they could most productively focus on to improve their use of resources and monitor their success (see further information for links).

Reporting on improvements to the use of resources

A report to the governing body at least once a year on how the use of resources has improved would be good practice. Quantification of the gains made would be useful – these will often not be cashable savings, but it should be possible to attempt some assessment of what the benefit of the change has been.

Part 3: what do you do if things are not right in your school?

What should you do if your school cannot give examples of improving the use of resources?

The school needs to increase its focus on the best use of resources, and on seeking opportunities to improve them. The governing body could ask for a report to be done on current use of resources and how this might be improved.

Further information

Maintained schools should contact their local authority for further information and support.

The EFA provide online information, tools, training and guidance to help schools improve their financial management and efficiency, including a wide range of [procurement information](#) and support to help schools improve the way they buy goods and services and achieve better value for money.

[Schools Financial Benchmarking](#) - holds income and expenditure data for all maintained schools from their annual Consistent Financial Reporting (CFR) returns. It enables comparisons of spending to be made with other similar schools. Guidance on how to use the Benchmarking website can be located by clicking on the Help button.

[Performance Tables](#) - schools in England can benchmark using this website. Schools can view the schools' performance, characteristics, attainment and spend per pupil data.

[National College for Teaching and Leadership](#) – information and support for school leaders.

Section D: protecting public money

Q20. Outstanding matters from audit reports

Is the governing body sure that there are no outstanding matters from audit reports or from previous consideration of weaknesses by the governing body?

Part 1: what does the question mean?

What are outstanding matters?

When a school is audited, or analyses its strengths and weaknesses for itself, a summary report should be produced that clearly sets out the issues and/or weaknesses that the school needs to address. The school should then formulate a plan to address the issues and weaknesses, and ensure that they are addressed promptly. Outstanding matters are issues that have not been adequately addressed.

Why it is important for the governing body to be sure that there are no outstanding matters

Issues that have been identified by auditors or by the school itself that have not been resolved will hamper the operation of the school and may put public funds at risk. The governing body therefore needs to make sure that they are dealt with promptly.

Part 2: good practice

Keeping a record of outstanding matters

Schools should have a clear system for recording outstanding matters. Following an audit, the governing body and head teacher should receive an audit report (for maintained schools the auditors will be from the local authority, or commissioned by them, unless the school has organised a separate external audit). Some local authorities run theme based audits using a sample of schools and schools should make sure they receive and take into account these audit reports as well.

The school should establish a list of issues to be addressed and a timed plan for addressing each issue. Likewise, the SFVS has a section at the end for agreed remedial action on weaknesses and a timetable for reporting back.

How to ensure you deal with outstanding issues and weaknesses promptly

As noted above, a timed action plan should be established to address each issue. Regular reports on progress should be made to the governing body.

The school should ensure that responsibilities and lines of reporting are clear. Each action should be assigned to a named owner who should have responsibility for carrying

it out and reporting back. The governing body should note formally when an issue has been cleared.

Part 3: what do you do if things are not right in your school?

What to do if your school does not receive audit reports

If a school does not receive a report following an audit inspection, it should contact the audit team as a matter of urgency.

What to do if there are outstanding matters

If there are matters outstanding from previous audits or self-assessments, and there is no action plan or the action plan has not been carried out in full, the school needs to agree a (revised) action plan with timely milestones for actions that will resolve the outstanding matters. The plan should attribute actions to named people with clear deadlines.

If the school is not sure whether there are outstanding matters, it may be necessary to go through the previous audit or self-assessment to see what issues were raised and find out whether action has been taken on them.

Further information

For maintained schools, further information can be sought from audit staff appointed by the local authority.

The EFA provide online information, tools, training and guidance to help schools improve their financial management and efficiency.

[Leadership and governance](#) – this section contains information on the statutory responsibilities of a maintained school's governing body, including details of its legal responsibilities and how these fit in with the duties of the head teacher, the local authority and the Secretary of State for Education.

[Schemes for Financing Schools](#) – this section contains information on the local authority schemes for financing maintained schools setting out the financial relationship between them and the schools they maintain, including audit arrangements.

Q21. Guarding against fraud

Are there adequate arrangements in place to guard against fraud or theft by staff, contractors and suppliers (please note any instance of fraud or theft detected in the last 12 months)?

Part 1: what does the question mean?

What are adequate arrangements against fraud and theft?

Schools need a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets. Arrangements should both prevent malpractice, and enable prompt detection should it nonetheless occur.

What are possible types of fraud and theft?

The list below gives examples but cannot be exhaustive:

- theft (e.g. retaining cash collected for school dinners, trips, etc. for personal use; taking away school assets for personal use)
- false claims (e.g. for travel which did not take place, for un-worked overtime etc.);
- unauthorised purchase of equipment for personal use
- improper use of petty cash for personal purposes
- failing to charge appropriately for goods or services (e.g. not charging for school rooms used for private functions) or providing improper gifts or hospitality
- processing false invoices for goods or services not received and pocketing the proceeds
- making false entries on the payroll, such as inventing a fictitious employee and arranging to be paid an additional salary
- payment of inappropriate bonuses
- misusing school financial systems to run a personal business
- improper recruitment (e.g. employing a family member or individual known personally to a member of staff without following appropriate recruitment procedures)
- buying from a supplier or contractor known personally to a member of staff without following required procurement procedures or declaring a business interest
- separating purchases to avoid tendering thresholds
- suppliers or contractors failing to deliver the agreed goods or services but still being paid in full

Noting any instance of fraud or theft detected in the last 12 months

All schools should keep a written log of any instances of fraud or theft detected. This should include attempted fraud or theft, so long as this wouldn't prejudice any on-going action such as legal action against the perpetrator(s). This log will help the school to

identify patterns of misconduct and any weaknesses in their current arrangements which need to be addressed.

Why you need to have adequate arrangements in place to guard against fraud and theft

Schools manage substantial sums of public money and consequently need to safeguard public funds. Local authorities would be likely to take strong action against maintained schools that appeared persistently vulnerable to fraud and theft.

Part 2: good practice

How to ensure that your school has adequate arrangements in place to safeguard against fraud and theft

The governing body will expect the head teacher and other senior staff to assure them that adequate arrangements are in place, rather than seeking to put operational arrangements in place themselves. The main features of such arrangements are likely to include:

- financial management checks, reconciling accounts at the end of each month and keeping an audit trail of documents
- separation of duties – no one member of staff should be responsible for both validating and processing a transaction, for example certifying that goods have been received and making the payment for them
- strictly limited access to systems for authorising and making payments
- spot checks on systems and transactions – this will help identify new risks and measure the effectiveness of existing controls. It also indicates to staff that fraud prevention is a high priority
- investigation and logging of every incident of irregularity, including instances of attempted fraud
- careful pre-employment checks on staff who will have financial responsibilities
- making staff members' financial responsibilities clear through written job descriptions and desk instructions.

Make the information available to all staff

The governing body and head teacher should inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them, and the consequences of breaching these controls. This information should be included in induction for new school staff and governors. Staff should be reminded of this information if an incident occurs.

Part 3: what do you do if things are not right in your school?

What to do if adequate arrangements are not in place in your school

Adequate arrangements will need to be put in place as soon as possible. If you are unsure how to do this and are a maintained school, you should contact your local authority urgently. You need to identify which arrangements are not adequate and agree an action plan to address them with a deadline for implementation. Once the new arrangements are in place, you should evaluate their effectiveness and regularly review the school's full arrangements to make sure they remain adequate.

What to do if fraud or theft is suspected or discovered (including any instances of attempted fraud or theft)

Maintained schools should contact their local authority (LA) for help and support in instances where fraud or theft is suspected or discovered and should always report the matter to the LA.

Further information

For maintained schools, your local authority should be able to provide further information and support on establishing adequate arrangements to safeguard against fraud and what should happen if fraud is suspected or discovered.

Q22. Whistleblowing arrangements

Are all staff aware of the school's whistleblowing arrangements and to whom they should report concerns?

Part 1: what does the question mean?

What is whistleblowing?

Whistleblowing means the confidential raising of problems or concerns within an organisation (school) or within an 'independent review structure' associated with that organisation (for maintained schools, this is your local authority). It provides protection for individuals who disclose malpractice and wrongdoing.

Why is it important for schools?

Whistleblowing allows individuals to bring to notice such matters as malpractice, wrongdoing and victimisation. The confidentiality of the process should encourage individuals to raise problems or concerns.

What issues are covered by whistleblowing?

Malpractice and wrongdoing will include the following, but the precise coverage and terms used can vary:

- any unlawful act, whether criminal or a breach of civil law
- maladministration, as defined by the Local Government Ombudsman
- breach of any statutory Code of Practice
- breach of, or failure to implement or comply with Financial Regulations or Standing Orders
- any failure to comply with appropriate professional standards
- fraud, corruption or dishonesty
- actions which are likely to cause physical danger to any person, or to give rise to a risk of significant damage to property
- loss of income to the school
- abuse of power, or the use of the school's powers and authority for any unauthorised or ulterior purpose
- discrimination in employment or the provision of education
- any other matter that staff consider they cannot raise by any other procedure

Part 2: good practice

The school should have whistleblowing arrangements in place

All schools should have whistleblowing arrangements in place and governing body minutes should record that they do. For maintained schools, the arrangements should be based on the local authority policy (which applies to all schools within their remit) and could be tailored as appropriate for the school.

The school staff should have someone trustworthy to report their concerns to

The governing body should agree one or more members of the school's staff and of the governing body to whom staff can report concerns to. Also, maintained schools should make known to staff one or more people at the local authority whom their staff can report concerns to if they feel a need to go outside the school. All school staff should be made aware of this information.

Part 3: what do you do if things are not right in your school?

Introducing or improving your whistleblowing arrangements

If your school does not have current whistleblowing arrangements and is a maintained school, your local authority will have a policy which applies to all schools within their remit. You could contact them for a copy of this and/or further advice.

You should think how your local authority's policy could be tailored so that it fits the specific circumstances of your school and ensure that you have appointed named member(s) of staff and governor(s) whom other staff can report concerns to.

Making staff aware of the school's whistleblowing arrangements

If staff are not currently aware of the whistleblowing arrangements, they should be informed about them in a way that is easy for all to see. In particular, they should be made aware of the:

- protection that is available to all members of staff (including e.g. temporary staff and contractors)
- areas of malpractice and wrongdoing that are covered
- routes available within the school and the local authority for raising issues

Further information

For maintained schools, further information should initially be sought from staff appointed by your local authority to deal with whistleblowing. This will almost certainly be on a confidential basis.

You can also find useful information on [Whistleblowing](#) policies in the public sector on Gov.UK.

[Public Concern at Work](#) - a charity providing support for organisations on whistleblowing and confidential independent advice to workers who have concerns about some wrongdoing in the workplace.

Q23. Accounting systems

Does the school have an accounting system that is adequate and properly run and delivers accurate reports, including the annual Consistent Financial Reporting return?

Part 1: what does the question mean?

What is an adequate accounting system?

The main characteristics of an adequate accounting system are that it:

- accurately records income and expenditure
- produces reliable and accurate management information, including providing decision makers with timely and accurate information relevant to their responsibilities and requirements
- contains adequate internal control measures to ensure the protection of assets and the provision of reliable information
- is sufficiently flexible to accommodate changes in volumes and operating procedures without requiring drastic modification

For maintained schools, if the school is not using the local authority's (LA's) accounting system, then the school's system needs to be capable of consolidation with the LA's accounts and of producing reports and information required by the LA.

What information does the system need to record?

The accounting system should record detailed information on income and expenditure, covering all of the school's financial transactions. For maintained schools, it must be capable of recording data in such a way that it can provide details of revenue income and expenditure, capital income and expenditure and balances that fit the Consistent Financial Reporting (CFR) data requirement (see further information). The system should support the production of accurate reports so that the school can effectively monitor the budget throughout the year.

As school funding is driven by the numbers of school pupils and their characteristics, schools should have up to date and accurate records on all their pupils.

Why is an adequate accounting system important?

Schools are responsible for large sums of public money and so it is vital that they have accounting systems that allow them to accurately record and monitor their income and expenditure. Accurate budget monitoring reports will provide important information about spending patterns that help schools to make realistic forecasts of year-end under or overspends. Producing the CFR return enables maintained schools to benchmark their

spending against similar schools and consider in which areas they could achieve better value for money.

Part 2: good practice

A good accounting system should enable the school to easily produce monitoring reports with different levels of detail

The system should be able to produce reports which include information such as:

- annual and profiled budget
- actual spend to date (paid out of the school bank or by the LA)
- comparisons of expected spend and actual expenditure
- end-of-year projections
- A good accounting system should automate the production of monitoring reports

A good system should automatically generate reports from base financial records

Schools should expect their accounting system to automate the production of the numeric budget monitoring reports as much as possible, by either:

- using the reporting functions provided in school finance software packages
- downloading data from less flexible systems into linked spread sheets that automatically pick up and summarise cost centre codes

Schools should ensure the information they record and the reports produced are accurate

Schools are responsible for ensuring their information is up to date and accurate for their own benefit and because, for maintained schools and their annual CFR returns, these are used widely by the Department, local authorities, other schools for benchmarking purposes and the general public. A good accounting system will be able to produce data extracts in common industry standard formats (e.g. XML). This enables maintained schools to meet their statutory requirements for providing data to the Department.

Part 3: what do you do if things are not right in your school?

If your school does not have an adequate accounting system

Many providers offer schools' accounting systems and the school should identify which system best meets their needs. For maintained schools, your local authority should be able to offer advice on the options available and the ones that are compatible with their system.

If your school is unsure about what reports are required

The accounting system should enable the easy production of regular budget monitoring reports in different formats (see above). Maintained schools should speak to your local

authority about what reports they require. The DfE website provides further information about the reports the Department requires.

Further information

Maintained schools should contact their local authority for further information and support.

[GOV.UK](#) - information on the Consistent Financial Reporting (CFR) data requirements is available [Consistent Financial Reporting](#). In addition, you can contact the [EFA](#) for further advice:

[Schools Financial Benchmarking](#) - enables maintained schools to benchmark their spending using their CFR data.

[Performance Tables](#) – can be used to benchmark with other schools and can view schools' performance, characteristics, attainment data and spend per pupil data.

Q24. Arrangements for audit of voluntary funds

Does the school have adequate arrangements for audit of voluntary funds?

Part 1: what does the question mean?

What are voluntary funds?

Voluntary funds are any funds from non-public sources which exist for the purposes of a school and are established under the authority of the school governors. They are sometimes known as school “private” funds. They might include income from parents or pupils, and donations from parents or members of the public. Most schools have such funds.

Why do voluntary funds need to be audited?

Voluntary funds operate alongside public funds and there is a need for audit on both sides to guard against any misuse of public funds.

Most voluntary funds will be set up on a charitable basis and charity law also requires them to be audited in an appropriate way.

Local authority schemes for financing schools should include a provision requiring maintained schools to provide audit certificates to the local authority in respect of voluntary and private funds held by schools.

Part 2: good practice

All schools should ensure their funds are adequately audited

Voluntary funds should be audited annually and the audit should be completed within three months of the end of each financial year. All funds should be audited by an independent person who is not associated with the fund in any other way.

Funds should be audited by a qualified accountant who will provide a certificate in accordance with published professional standards. However, very small funds could be audited by a suitable individual familiar with the principles of accountancy rather than necessarily a qualified accountant.

For maintained schools, there may be relevant provisions concerning the audit in the local authority’s scheme for financing schools.

What an audit should cover

The purpose of an audit is to provide independent assurance to governors that:

- the fund concerned is being correctly operated in accordance with the fund objectives
- the financial statements produced by the fund manager are correctly stated. In order to do this the auditor will test that
- all income has been correctly accounted for
- the monetary balances reconcile
- the stated monetary balances do in fact exist
- expenditure is reasonable and in accordance with the fund objectives
- funds have not been used as a vehicle for personal transactions
- guidelines for record keeping have been followed

Making accounts available

Under Charity Commission guidelines the accounts of a school's voluntary funds should be made available on demand to interested parties, for example staff or parents. Many schools appear not to be aware of this. Also, the school should make the accounts and audit available to the governing body.

Part 3: what do you do if things are not right in your school?

What to do if your voluntary funds are not being adequately audited

Schools should appoint an appropriate auditor as soon as possible. A local accountant should be suitable, provided they are not otherwise associated with the fund (see part 2 for further information on appropriate auditors).

If accounts for past years have not been audited, they should be audited along with the most recent accounts; and then an appropriate annual cycle of audit should be established at the end of the financial year.

Maintained schools will need to take account of any relevant provisions in the local authority's scheme for financing schools.

Further information

Maintained schools should contact their local authority for further information and support.

[GOV.UK](#) - you can access information on the supporting legal framework for maintained schools' revenue funding, including requirements for the audit of voluntary and private funds in local authority schemes for financing schools at [Schools Revenue Funding Finance Regulations](#)

[Charities Commission](#) provides a wide range of advice and guidance for any organisations involved in charitable activities.

Q25. Continuity or disaster recovery plans

Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance?

Part 1: what does the question mean?

What is a business continuity or disaster recovery plan?

A business continuity or disaster recovery plan sets out how the school would cope if some disaster happened – for example, the premises burning down or flooding, a large scale theft of equipment or a total failure of the school's IT system.

Why is it important?

A disaster in the school may seem very unlikely to happen. It is indeed unlikely to happen, but if it did happen the consequences would be very grave. It is therefore important that all schools have an adequate and up-to-date disaster recovery plan.

What areas does a plan need to cover?

As a minimum, a plan needs to look at contingency arrangements for: if the school's premises were not available for an extended period (e.g. because of fire or flood); large scale loss of property (e.g. through fire or theft); loss of information through catastrophic failure of IT systems; mass unavailability of staff (e.g. through a pandemic).

Part 2: good practice

All schools should ensure they have an appropriate plan

The plan will need to cover:

- premises that could be used if the school's own premises became unavailable for an extended period
- an asset register of items in the school that need to be recorded for insurance purposes, to be kept where it would not be vulnerable to a disaster in the school
- adequate insurance for premises and contents
- daily backing up off-site of the school's important IT systems
- contingencies for significant simultaneous absence of staff
- Individual schools may be aware of additional local hazards that they ought to cover

The plan must be kept up-to-date: any element of it that has become out of date is likely to be of no use in an emergency.

Maintained schools should liaise with their local authority (LA) about what should be recorded in the plan. For example, the LA may have generalised arrangements for emergency premises; it may have particular requirements for the asset register; it may provide insurance for its schools; it may provide some of the IT systems and have its own back-up arrangements.

All schools should ensure they have adequate insurance

Schools should ensure they have met legal requirements for insurance as some insurances are legally compulsory. For maintained schools, the local authority scheme for financing schools should provide more information. Adequate insurance should compensate for large losses that otherwise could not be sustained, such as a major fire in a school.

Part 3: what do you do if things are not right in your school?

What to do if you do not have a disaster recovery plan

Maintained schools should begin by speaking to their local authority to find out what they offer and what the plan should contain. All schools without a plan need to draw one up as soon as possible.

What to do if your plan is out of date

An out of date plan will need to be updated urgently. Maintained schools should do this in liaison with their local authority.

Further information

The local authority is the first source of information on disaster recovery plans, up-to-date assets register and adequate insurance for maintained schools. It also has a more general role in emergency planning which will be relevant for other schools.

There is a lot of material on the internet explaining what business continuity/disaster recovery plans are: some of this is free of charge and can be used to think about what a plan should contain in the school's particular circumstances.

[GOV.UK](https://www.gov.uk) – this website contains a range of information and resources for schools.

[Governance Handbook](#) – information on the statutory responsibilities of a school's governing body, including details of its legal responsibilities.



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