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Department
for Education

Guidance

Checklist guidance

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A. Governance

1. 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?

What does the question mean?

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.

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

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.

Once the governing body have 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.

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.

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

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 the 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 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.

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 or 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 twice 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 headteacher 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.

What to 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 and Skills Funding Agency (ESFA) has an example skills matrix that you could use as part of a skills audit.

3. Does the governing body receive clear and concise monitoring reports of the school's budget position at least 6 times a year?

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 6 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 regularly and shared with the governing body or finance committee at times when action can be taken on them to good effect. DfE and ESFA recommend that governors should receive the monitoring reports and have an opportunity to raise questions or concerns at least 6 times a year.

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 a meeting at least 3 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 headteacher on any areas of concern, such as 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.

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
- how up-to-date the information is

It could be that the information presented is too detailed 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.

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

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 schemes for financing schools states that local authority 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.

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.

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.

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

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 insurance arrangements to secure expertise from the local authority.

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. For information on local school business manager networks please contact schools.commercial@education.gov.uk

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. 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
- the situation where a key member of staff decides to leave the school
- ensuring controls and separation of duties as a precaution against mistakes or fraud

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 or filled through recruitment 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

- The National Governance Association (NGA) provides guidance on matters relating to governors and governance, including online finance training.
- Governors for Schools provides information on recruiting volunteers to serve on school governing bodies and guidance for schools having difficulty recruiting governors with financial expertise.
- DfE and ESFA have guidance on school resource management to help schools improve their financial management and efficiency, including specific guidance for governors.
- 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.
- Institute of School Business Leadership (ISBL) provides information and training for all those involved in school business management, enabling staff to update their financial management knowledge and skills.

B. Strategy

6. Does the school have a realistic, sustainable and flexible financial strategy in place for at least 3 years, based on realistic assumptions about future funding, pupil numbers and pressures?

What does the question mean?

Governors should ask to see 3 to 5 year financial projections and the assumptions made to cost them. Assumptions you may want to review include:

- projected pupil numbers
- free school meal numbers
- likely pupil premium income
- projections of the staffing that will be necessary in these years

Schools should plan their staffing based on multi-year projections of curriculum needs.

These projections should be used by the governing body to develop a sustainable and flexible financial strategy.

The financial strategy – 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 should be included in the strategy?

The strategy should look ahead to the next 3 to 5 years and the school's plans for raising standards and attainment. The school should estimate the budget available to them based on the school projections and the costs associated with raising attainment.

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, for example, fabric and fittings, information and communications technology (ICT) equipment and whiteboards

Questions governors might want to ask include:

- how confident are you that pupil number projections are realistic – if there is uncertainty then boards should be given 3 scenarios (cautious, likely, and optimistic) – this applies to all key assumptions but especially pupil number projections and funding rate assumptions
- if the optimistic scenario indicates financial difficulties, is the school developing a recovery plan now?

- if the cautious budget indicates potential financial difficulties, what contingency plans does the school have to overcome them?
- are there any issues in the medium term that should be addressed now?
- how will current decisions impact medium-term budgets?
- what do we need to put in place now to ensure we have the necessary funding in the future?

Good practice

All schools should carry out a forward projection of budget in which to base a strategic financial plan.

It is possible to carry out budget projections using a simple spreadsheet 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 (DSG). Further information on the settlement and the pupil premium is available on the DfE website. The DfE has introduced a National Funding Formula for schools. Local authorities remain responsible for determining the funding allocations for individual maintained schools after consultation with local schools and the Schools Forum.

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. Schools should contact their local authority for further information and support.

7. Is the financial strategy integrated with the school's strategy for raising standards and attainment, through curriculum-led financial planning?

What does the question mean?

Is there a clear and demonstrable link between the education or curriculum the school wants to deliver and how affordable this is?

The school's budget must support the governing body's priorities for raising standards and attainment. This can be done by looking at core metrics – such as average class size, teacher contact ratio, pupil to teacher ratio, percentage of spend on teachers and teaching assistants, average teachers costs – and benchmarking these across other schools. This way the school can be confident that its schools are making the best use of their teaching and support staff, focusing their time on activities that directly improve pupils' outcomes. 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?

The school's main function is to ensure its pupils achieve their full potential and are prepared for adult life – this means continually raising standards and improving attainment. The budget should support this and to do this effectively requires strategic spending decisions and getting value for money. Integrating planning for the programme of learning – what the school wants to teach and the teaching resources needed to deliver this – alongside the financial planning is an effective way of achieving this. This sort of process enables the school to weigh up whether it has enough funds to pay for the proposed learning plan or curriculum or needs to make changes. This could, for example, be to the plan or to the balance of spend between staff and non-staff related costs.

Good practice

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

To ensure that the learning plan or curriculum is viable and that its implementation is feasible, it should be supported by a financial plan that costs each element of it. When undertaking this process it is important that:

- senior educational leads and school business professionals are involved in

the discussions
- decisions are made with reference to some core metrics to ensure staff are deployed as effectively as possible – some key metrics are average class size, teacher contact ratio, pupil to teacher ratio, percentage of spend on teaching staff and teaching assistants, the average teacher cost and the size of the leadership team
- the metrics for the school are benchmarked across similar schools
- the position is monitored regularly throughout the year

How to improve value for money by aligning planning of the curriculum and the budget.

Schools that are committed to continuously improving their management of resources ensure that financial decisions are always made in the context of their plans to improve education outcomes through the curriculum, and equally that their education objectives are costed and regularly reviewed alongside the budget. They find that deciding about deployment of resources – particularly teaching staff – is often easier if the starting point is ‘what will help us achieve our priorities and improve the learning experience of our pupils’ and they focus decisions around some core metrics. This enables the best targeting of funding.

What to do if things are not right in your school

What should you do if there is not a clear and demonstrable link between the planning of the school’s budget and its learning plan or curriculum?

If the school does not currently practise integrated curriculum and financial planning, you need to introduce it. There is further information in the links below about this.

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

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, for example, because of fire or flood
- large scale loss of property, for example, through fire or theft
- loss of information through catastrophic failure of IT systems
- mass unavailability of staff, for example, through a pandemic

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.

Schools should liaise with their local authority about what should be recorded in the plan. For example, the local authority may:

- have generalised arrangements for emergency premises
- have particular requirements for the asset register
- provide insurance for its schools
- 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. 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.

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

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

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. Schools should do this in liaison with their local authority.

Further information

- DfE and ESFA provide online information, tools, training in the school resource management guidance to help schools improve their financial management and efficiency, including on strategic financial management.
- DfE publishes school workforce planning guidance and curriculum planning tools to support schools in the planning process.
- There is a lot of material on the internet explaining what business continuity or disaster recovery plans are – some of this is free of charge and can be used to think about what a plan should contain in a school’s particular circumstances.

C. Setting the annual budget

9. Does the school set a well-informed and balanced budget each year?

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 schemes 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.

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.

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.

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 or 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.

10. Does the budget setting process allow sufficient time for the governing body to scrutinise and challenge the information provided?

What the question means

What is a sufficient time?

The governing body should be involved early in the process of developing the budget for the following financial year, and consistently from then on. In practice, a discussion on budget setting, well informed by a paper or papers from staff, will need to be held in the autumn term of the previous financial year.

Good practice

A school should be looking 3 to 5 years ahead in its budget planning, and the governing body should be signing off those provisional plans. This longer term planning will give the school a foundation from which to develop more detailed plans for each financial year as it approaches.

What to do if things are not right in your school

If budget planning for each year does not begin early enough for the governing body to be fully involved in the development of the budget plan, the governing body needs to rethink the planning process and start it earlier in future years.

11. Is the school realistic in its pupil number projections and can it move quickly to recast the budget if the projections and the reality are materially different?

What the question means

Is the school realistic in its pupil number projections?

Pupil numbers have by far the biggest influence on the grant income received by the school. It is therefore essential that they are forecast accurately and on the most realistic basis. Pupil numbers should be projected on the basis of all relevant data, including what is happening to child numbers in the local area, and what is known of the relative attractiveness to parents of different schools.

Can the school move quickly to recast its budget?

In setting its budget the school should be aware that pupil numbers may not turn out exactly as projected. It should make a realistic assessment of what the uncertainty is, and make contingency plans for what it will do in-year if the pupil numbers in the autumn term are different from its projections.

Good practice

A school should be able to improve its projections of pupil numbers from experience, and narrow the range of uncertainty over time.

What to do if things are not right in your school.

If the school has a history of not projecting pupil numbers accurately, it should put effort into improving its data sources and forecasting techniques.

12. 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?

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.

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 next 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.

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
- significant variations from budget are investigated and explanations written up
- the governing body receives regular reports of this process
- the governing body has sufficient information to understand the reasons for the variances and make decisions on any proposed actions

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

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, that is to say, not set aside for a specific reason as detailed in the local authority’s scheme for financing schools. However, the government 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. Where a local authority chooses to operate a clawback mechanism it needs to set out the thresholds it will operate to in its local scheme for financing schools. The original thresholds, which are commonly still being used, were 5% of income for secondary schools, or 8% of income for primary, nursery, and special schools.

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.

plans to spend their balances to avoid clawback.

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.

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
- 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
- Schemes for Financing Schools– information on the supporting legal framework for school revenue funding and local authority schemes for financing schools
- DfE and ESFA provide online information, tools, training in the school resource management guidance to help schools improve their financial management and efficiency, including on workforce planning.

D. Staffing

14. Does the school review its staffing structure regularly to ensure it is the best structure to meet the needs of the school whilst maintaining financial integrity?

What the question means

What is a staffing structure?

The structure is how the staff of the school are organised and deployed. The structure is also about where and how staff are deployed: when they teach, what they teach, how leadership and supervision are arranged, and so on.

How often should this be reviewed and why is it important?

Structures should be reviewed annually along with the curriculum and plans for improvement, and as part of workforce planning.

Staffing costs make up 70 to 80% of an average school's expenditure. Regular reviews enable the school to invest in the right mix of staff, and in high quality professional development, to maximise pupil outcomes and value for money. They also ensure the structure matches as closely as possible the current and future needs of the school, which will change over time.

Good practice

What can the school do to achieve this?

DfE has published guidance on school workforce planning. This provides information about what should be considered as part of regular staffing reviews, and information about case studies and best practice. Schools are advised to plan over the medium to long term 3 to 5 years).

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

When should the structure be reviewed?

A review of the staffing structure should be part of the school's workforce planning and linked to annual school improvement, curriculum and financial planning. An example 12 month staffing review cycle is included in the school workforce planning guidance.

What to do if things are not right in your school

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

Use the further information below and begin a review as soon as practicable, in line with curriculum and school development planning.

15. Has the use of professional independent advice informed part of the pay decision process in relation to the head teacher and is it tightly correlated to strong educational outcomes and sound financial management?

What the question means

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
- local authority HR providers
- other external advisers, for example, 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.

Local authority-maintained schools must seek independent external advice:

- for the purposes of providing advice and support to the appraisal of the headteacher
- if, during the salary-setting process, the governing body deems it appropriate to set a salary in excess of 25% above the maximum of the relevant pay range as detailed in the school teachers’ pay and conditions guidance

What is meant by ‘sound financial management’?

The National Standards of Excellence for Headteachers set the expectation that headteachers exercise strategic, curriculum-led financial planning to ensure the equitable deployment of budgets and resources, in the best interests of pupils’ achievements and the school’s sustainability.

Why is it important to use professional independent advice?

When a school thinks it appropriate to determine a headteacher salary which is in excess of those normally set for the size and type of school, it is important that their decision to do so is well-informed. Independent advice can support schools in making the case for such decisions, as well as ensuring that they take all relevant issues into consideration.

Good practice

All local authority-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.

What to do if things are not right in your school

If you think there is a need for professional independent advice, please contact your local authority or an external, independent advisor.

16. Does the school benchmark the size of its senior leadership team annually against that of similar schools?

What the question means

What is benchmarking?

Benchmarking is a process for comparing data in detail with that of similar schools. The objective of school benchmarking is to consider whether and how your school can use resources better and identify where changes can be made.

Schools have traditionally used tools to benchmarking income and expenditure with those of similar schools. the benchmarking service, schools financial benchmarking, also allows schools to compare the size and constituent parts with those of similar schools.

Section D of the Schools Financial Value Standard (SFVS) dashboard compares the proportion of the school workforce in the senior leadership team with those of broadly similar schools and provides a RAG rating based on this comparison.

Why is it important to benchmark the size of a senior leadership team (SLT)?

The SLT can play an important role in both the strategic and day-to-day running of a school. However, the effectiveness of a SLT is not necessarily proportionate to its size. Having a high proportion of the workforce in the leadership group may suggest that not enough of the workforce is focused on teaching.

There is no single staff structure that will suit all schools. Contextual factors, including funding, pupil demographics, and school improvement priorities, play an important part.

Understanding how the size of an SLT compares with similar schools can help you to identify if your staffing structure is top-heavy and the whether there is potential to direct more resource from the SLT in to the classroom.

Why do schools need to be benchmarked against similar schools?

This is so that meaningful comparisons can be made. If a school is compared to dissimilar 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 identify ways to secure better value for money in the school. By using the detailed comparison function on the schools financial benchmarking website schools can select from a wide range of options to identifying similar schools, including school performance characteristics.

Good practice

All schools should ensure they are benchmarking effectively.

Benchmarking your staffing structures, including the size of your SLT can help create a cycle of continuous improvement and develop a culture where it is easier to question the norm and make changes. Benchmarking should be used to improve the quality and impact of school services and should not be used solely to focus on reducing costs. Benchmarking 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 the characteristics of the school you are benchmarking. You should be selecting ‘like for like’ to get a better understanding of your workforce structures 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. The benchmarking website offers you a quick comparison using pre-determined characteristics, or you can make a more detailed selection of characteristics for yourself.

Interpreting the chart data

The benchmarking tool includes a workforce tab which allows a school's to see their workforce data. This information can be displayed in various ways, including as a total, a proportion or in comparison with their number of pupils. The comparison benchmarking charts can also be displayed in this way. Care should be taken when interpreting comparative charts. 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 to review the differences, investigate the reasons for them and aim to make changes where there are not adequate reasons for being out of line in a particular category.

What to do if things are not right in your school

What to do if your proportion of senior leaders appears to be out of line with similar schools.

First, you should consider whether the school has particular circumstances that create valid reasons for your staffing structure. You should also consider contacting the similar schools that are identified through the benchmarking process, to determine if there is anything can be learned from each other about how a different size leadership team can achieve greater pupil progress.

Further information

- The school resource management collection contains a range of resources to help schools improve their financial management and efficiency, including school workforce planning guidance and signposting to relevant training and support opportunities
- Information on staff employment and school teachers' pay and conditions is available on the school and college careers and employment page
- The National Standards of Excellence for Headteachers (2015) provide non-mandatory guidance on the high standards which are applicable to all headteacher roles

E. Value For Money

17. Does the school benchmark its income and expenditure and investigate further where any category appears to be out of line?

What the question means

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. DfE's benchmarking service can be found at schools financial benchmarking.

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, and academies likewise through the academy accounts return (AAR). This standardised set of codes enables schools to compare their income and expenditure with that of similar schools – LA maintained schools can compare themselves to academies as well as to other LA maintained schools.

Schools can produce clear charts and reports for governors to show how their money is spent in comparison to other schools. Many schools choose now prefer to display the DfE benchmarking site to governors on a large screen to allow them to scrutinise the available data for themselves.

Why do schools need to be benchmarked against similar schools?

This is so that meaningful comparisons can be made when comparing income and expenditure. DfE service also includes workforce data. If a school is compared to dissimilar 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 identify ways to secure better value for money in the school. The benchmarking website provides options for identifying similar schools.

Good practice

All schools should ensure they are benchmarking effectively.

Schools should use benchmarking as a contributing factor to:

- plan and manage their budgets
- identify areas and setting targets for improved use of resources
- achieve value for money in expenditure and improve its effectiveness in driving performance
- deliver educational services to a defined standard

Benchmarking your income, expenditure and workforce 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 school services. Benchmarking 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 the characteristics of the school you are benchmarking. 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 location, school size (number of pupils) and percentage of deprived pupils. The benchmarking website offers you a quick comparison using pre-determined characteristics, or you can make a more detailed selection of characteristics for yourself.

Interpreting the chart data

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 to review the differences, investigate the reasons for them and aim to make changes where there are not adequate reasons for spending being out of line in a particular category.

What to 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. Schools need to demonstrate value for money to parents, auditors and regulators by showing that taxpayers' 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 the school has particular circumstances that create valid reasons for this. If there are not, you should consider how it has occurred and how the use of these resources can be improved in future. You should also consider contacting the similar schools that are identified through the benchmarking process, to determine if there is anything can be learned from them about how they allocate resource to achieve better outcomes for pupils.

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

What the question means

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 or 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 regularity, propriety and value for money.

Good practice

Staff involved in purchasing decisions should have, as a minimum, 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:

- procurement training for schools – a series of online best practice modules is available to improve staff purchasing skills
- accredited training, for example, courses run by the Chartered Institute of

Procurement and 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
- joining a local school business professional (SBP) network

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, identifying why you want to purchase something, whether you have a sufficient budget and whether it's your highest priority
- deciding on the right procurement approach – higher-value items should be managed more formally, to ensure probity and minimise the risk of costly mistakes
- understanding the market, for example, whether you have a good choice of suppliers and the kind of prices or deals you might expect
- choosing the supplier – for low-value purchases, this may mean getting 3 quotes and selecting the best with high-value purchases needing a formal competition and tender exercise
- managing receipt such as checking goods have arrived as described or managing on-going service contracts to maintain the quality of delivery
- making payment either as a one-off or as on-going over the life of a contract
- finishing such as procedures for the end of a contract, disposing of obsolete assets and any lessons you can learn

Procurement good practice includes the consideration of leasing goods and services rather than buying them.

DfE has issued specific guidance on leasing and subscription services for school equipment

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, such as ICT installation
- use frameworks such as lists of suppliers who have overarching agreements with public bodies – these 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 – consider whether 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 are in line with DfE policy and guidance.

What to do if things are not right in your school

What to do if your school doesn’t have a procurement or 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 its 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 advice if your school has signed contracts that you think may be vulnerable because proper procurement procedures were not followed, or if you’re ‘trapped’ in a costly on-going contract.

19. Is the governing body given the opportunity to challenge the school’s plans for replacing contracts for goods and services that are due to expire shortly?

What the question means

To achieve value for money it is often important for the governing body to challenge the requirement, the procurement route and route to market. Procurement tender exercises can sometimes take time. It is therefore important that governors are made aware of a procurement requirement or the end of a current contract in plenty of time to allow this challenge.

Good practice

It is good practice for a school to maintain a contract register, which should include:

- the contract start and end date
- the current value of the contract
- the lead in time for procurement
- information on early termination, for example, any dates or penalties incurred for early termination
- any potential for extension of the contract and
- an indication of exit strategies or re-procurement plans

The register should be shared with the governing body regularly to make them aware of any upcoming milestones in the contract register timetable and provide them an opportunity to challenge procurement plans.

20. Does the School consider collaboration with others, for example, on sharing staff or joint purchasing, where that would improve value for money?

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 and trusts 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, for example, 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.

Good practice

Be open and willing to discuss options with schools and trusts 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 and trusts 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 and trusts, rather than less predictable intermittent work required for just one school. A collaborative contract of this kind is attractive to suppliers which can make them keener to offer competitive terms to secure the business.

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

Find framework provides information on a wide range of non-staff deals that have been reviewed by the Schools Commercial Team (SCT) within DfE. These are assessed for compliance with procurement regulations, ease of use, suitability and value for money.

In addition, DfE are piloting two schools buying hubs that provide free procurement support for schools and foster closer procurement collaboration. If your school is in the north-west or the south-west, you can register here.

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
- if you have risk management protocols in place
- considering the time resources involved in managing the contract and how

- will these be shared fairly between all schools

Similar challenges exist in sharing procurement expertise, such as:

- defining the benefit for a school whose in-house expertise is being used by other schools or academies
- deciding if there are there any potential liability issues from following advice offered by another school or trust

21. Do you compare your non-staff expenditure against the DfE recommended national deals to ensure you are achieving best value?

What the question means

What are the national deals recommended by DfE?

Find a framework provides information on a wide range of non-staff deals that have been reviewed by the schools commercial team (SCT) within DfE. These are assessed for compliance with procurement regulations, ease of use, suitability and value for money.

Good practice

DfE's find a framework service include centrally negotiated framework agreements from audit services to water supply. Many schools have been able to make significant savings by reviewing their existing arrangements against DfE's recommended deals

It is good practice for schools to explore these deals, when their current arrangements are drawing to an end, to determine if they could achieve greater value for money than the school's current arrangements, or to renegotiate their current deals based on the prices and rates available through the DfE recommended deals.

It is also good practice to record any decisions about the suitability of these deals for your school in the comments section of the SFVS document.

What to do if things are not right in your school

If your school has not yet reviewed or considered the DfE recommended deals, Governors should ask the school's procurement leader to explore the deals available on the Gov.UK web page. As procurement processes often require a long lead-in team, schools should review the deals available well in advance of the end date of current arrangements.

Please visit buying for schools for information on the support available to schools in the procurement process.

22. Does the school maintain its premises and other assets to an adequate standard and make best use of capital monies for this purpose?

What does the question mean?

What is an adequate standard?

This will depend on the life-cycle and maintenance requirements of the materials used to construct the premises, for example, 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.

Good practice

DfE provides comprehensive information and tools to support both those who are responsible and those who are accountable for the management of the estate. This includes top 10 estate checks for boards and an organisational self-assessment tool. Governing bodies should use these tools to identify areas for improvement and test their responses with members of their senior leadership team.

What to 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

- DfE and ESFA provide schools resource management with information, tools, training and guidance to help schools and trusts improve their financial management and resource management
- Schools financial benchmarking contains data for all maintained schools and academies, enables comparisons, in a number of expenditure and workforce categories, with other similar schools as well as guidance on how to use the website which can be located by clicking on the help button.
- Buying for schools includes a wealth of information including best practice procurement, training, and model templates and data protection guidance
- Good estate management for schools provides comprehensive information and tools to support both those who are responsible and those who are accountable for the management of the estate
- The condition improvement fund is an annual bidding round to which some academies and sixth-form colleges can apply for capital funding. The core priority for the fund is to address significant condition need, keeping academy and sixth-form college buildings safe and in good working order

F. Protecting Public Money

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

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 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.

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 headteacher 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.

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.

24. Are there adequate arrangements in place to manage related party transactions?

What does the question mean?

What is a related party transaction?

A related party transaction is one where a contract is awarded to a person or body that has close links with the persons awarding the contract. It is a concept that largely applies to companies, but the same principles apply to public bodies such as maintained schools.

The principle is not that such transactions should never happen, but that effective procedures should be in place to ensure that open and transparent procurement procedures are followed, and any potential conflicts of interest are adequately and appropriately managed.

What related party transactions might arise in schools?

A member of the governing body, or a member of staff, or a close relative of such a person, might have a stake in a company or organisation that was bidding for a contract to be awarded by the school. The governor or member of staff concerned must declare this interest and take no part in the procurement procedure. The same would apply if a close relative of a governor or member of staff was applying for a job at the school.

How should interests be declared to avoid conflicts of interest?

The principal route for this is the declaration of business interests (Question 4). However, if any situation arises which is not covered by the register of business interests, any governor or member of staff should look to err on the side of making a new declaration of interest rather than putting the school in a potentially difficult position where a relevant interest had not been declared.

Good practice

The school should be aware of and have a record of any related party transactions that have been arrived at through proper procedures.

As stated above, a related party transaction may in some cases provide the best deal and the best value for money. But to avoid any appearance of impropriety, the school should keep a record of any related party transaction, including:

- the value of the contract
- the person at the school whose interest makes this a related party transaction
- how the procurement (or appointment) was handled in order to avoid any impropriety either in practice or in appearance

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

What to do if you have an existing related party transaction that is not properly documented.

You should immediately take steps to document the transaction as indicated above under good practice. If this suggests there may have been some impropriety, you should consider whether the school can extract itself from the contract and how soon this might be done.

25. Are there adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers?

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, such as retaining cash collected for school dinners, trips or taking away school assets for personal use
- false claims, such as travel which did not take place or for un-worked overtime
- unauthorised purchase of equipment for personal use
- improper use of petty cash for personal purposes
- failing to charge appropriately for goods or services, such as 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, such as 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 would not prejudice any on-going action such as legal action against the perpetrators. This log will help the school to identify patterns of misconduct and any weaknesses in their current arrangements that 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.

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 headteacher 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 headteacher 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.

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 for help and support in instances where fraud or theft is suspected or discovered and should always report the matter to the local authority.

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

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, wrong-doing 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

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. 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.

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 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 members of staff and governors 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 temporary staff and contractors
- areas of malpractice and wrongdoing that are covered
- routes available within the school and the local authority for raising issues

27. Does the school have an accounting system that is adequate and properly run and delivers accurate reports, including the consistent financial reporting return?

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 accounting system, then the school's system needs to be capable of consolidation with the local authorities accounts and of producing reports and information required by the local authority.

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.

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 local authority)
- 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 spreadsheets 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 (for example, XML). This enables maintained schools to meet their statutory requirements for providing data to the department.

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.

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

What does the question mean?

What are voluntary funds?

Voluntary funds are any funds from non-public sources that 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.

Good practice

All schools should ensure their funds are adequately audited.

Voluntary funds should be audited annually and the audit should be completed within 3 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.

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.

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
- Useful information on whistleblowing in the public sector is available
- 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
- Schools Financial Benchmarking enables schools, academies and trusts to benchmark their spending using their financial returns

G. Self-assessment dashboard

Dashboard guidance is available.

29. Have the results of the self-assessment dashboard been carefully considered and potential follow-up actions identified?

The dashboard element of the self-assessment tool provides ratings against a school's data that indicates how its spend and characteristics compare with similar schools or national recognised bandings and recommendations.

Schools should carefully consider the results for each of the indicators in the dashboard, for example:

- reasons for the rating against the threshold result
- if the school is an outlier, the scope for follow-up actions such as further investigation or other changes
- the scope for using the schools financial benchmarking service or school performance service to identify schools to contact and learn from

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Coronavirus (COVID-19): guidance and support

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