

The Finance Governor Guide

# LMS Finance Team

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# Contents

This guide provides an introduction to governors’ duties and

responsibilities relating to school financial management.

The guide is set out in 7 sections:

**1. Roles and Responsibilities of Governing Bodies**

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**3. Budget Monitoring, Evaluation and Accountability**

**4. Local Authority Funding and Regulations**

**5. Financial Policies, Systems and Procedures**

**6. School Financial Value Standard**

**7. Leasing and Contracts**

## Section 1

## Roles and responsibilities of Governing Bodies

## This section explains the statutory responsibilities and role of the Governing Body in regard to financial management

## At the end of ths section you should:

Understand your Governing Body’s statutory responsibilities in managing the finances of the school

• Understand the term “scheme of financial delegation” and the purpose of a Finance Committee

• Appreciate the respective roles of the Governing Body, the Headteacher and the School Business Manager

## (1) STATUTORY RESPONSIBILITY OF THE GOVERNING BODY

In overall terms, the Governing Body is responsible for managing the finances of

the school. Governors are not personally liable for anything done “in good faith” as they exercise their power to spend a school’s budget share or in delegating that power to the Headteacher. An example of an act not done in good faith is fraud or expenditure that is authorised to be spent in a way that does not comply with financial rules and regulations.

Key statutory duties include:

• setting a budget within available resources.

• ensuring spending is kept within budget.

• ensuring funds are spent for the educational purposes of the school *(for the benefit of the pupils)*.

• ensuring resources are used wisely – value for money *(VFM)* is secured.

(VFM = To maximise educational attainment a school will need to be efficient, effective and economic:

effectiveness = doing the right things

efficiency = doing the right things well

economy = doing things without waste

• setting a charging policy for lettings of the school’s premises.

• ensuring that the school adheres to all LA financial rules and regulations.

• establishing sound financial controls to ensure the reliability and accuracy of its financial transactions.

• providing financial information to parents e.g. on the pupil premium, sports grants etc which must be published on the school’s website

• showing how funds have been allocated to SEN provision.

## (2) FINANCIAL ROLES

It is important to understand and document the respective roles of the Governing Body and the school staff. These are summarised below.

• The Governing Body has a ‘strategic’ financial role, in setting the budget and ensuring that expenditure is kept within the available resources. It approves financial policies and procedures and has the power to delegate responsibilities to a Committee/Headteacher.

• The Finance Committee operates at a more detailed level by scrutinising financial information and developing policies. The Committee prepares the ground for the Governing Body.

• The Headteacher has day to day operational responsibility for the school’s finances and implements the strategic decisions agreed by the Governing Body.

• The School Business Manager performs the detailed operational work of a financial nature in the school by setting up financial systems, processing transactions and providing management information to the Headteacher/Governing Body as requested.

## (3) SCHEME OF DELEGATION

In order to discharge all of the Governing Body’s financial responsibilities set out above,

it is good practice to operate a ‘scheme of delegation’, which clearly delegates financial

duties to a Committee, the Headteacher and school Finance Officer.

It is also good practice to set up Committees of the Governing Body in order to manage

the workload of the Governing Body efficiently and effectively.

A Finance Committee can be given delegated financial powers *(but clear terms of*

*reference are essential)*.

A structure setting out the responsibilities for financial management is set out overleaf:

## Responsibility for Financial Management Structure

Governing Body –

Approves the budget .

Reviews regular budget monitoring.

Approves reporting to parents

Reviews year end outturn position

Approves financial policiesand procedures of the school

Approves delegated powers to the finance committee and head teacher

## Finance Committee-

Performs tasks as agreed under the scheme of delegation

Undertakes more detailed regular budget monitoring/ planning

Develops financial policies and procedures for Governing body approval

## Head Teacher -

Responsible for day to day operational management of the schools finances

Ensures Governing body is given management information for decision making purposes

Advises the governing body of their roles and responsibilities

## School Business Manager

Prepares financial returns

Processes financial transactions

Provides budget reports

Operates financial systems/procedures

## Questions Governors should ask

Has the Headteacher advised the Governing body of its statutory responsibilities and is this documented?

Is there an active Finance Committee operating in the school and does it have clear terms of reference?

Have you seen a copy of the schools Scheme of Financial Delegation ?

Does the Finance Committee , Headteacher and School Business Manager have roles consistent with those set out in this section?

## Section 2

## Planning and Budget setting

## Purpose

## This section explains the link between the School Improvement Plan and the budget, and outlines the key steps involved in setting the budget.

At the end of this section you should:

**•** Understand the link between the School Improvement Plan and the school budget

• Understand the aim of a budget and the term ‘budget cycle’

• Understand the key steps involved in setting the budget and when these steps should be performed

## (1) SCHOOL IMPROVEMENT PLAN AND THE SCHOOL BUDGET

The school budget is the school’s plan of how it intends to allocate resources to

achieve its agreed educational objectives and priorities.

INCOME *(LA funding, other income)*



EXPENDITURE *(Allocation of resources, staffing, building, equipment)*



SCHOOL OBJECTIVES *(learning outcomes)* Improvement Plan

There must be a strong link between the School Improvement Plan (*which sets out the key priorities for the school and how they are to be achieved*) and the school budget (*plan of using resources*). The school budget should reflect the School Improvement Plan.

However, planning is made more difficult due to the ‘mismatch’ between the academic year and the financial year.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | IMPROVEMENT PLAN | | |  | |
|  |  |  |  |  |  | |
|  | SEPTEMBER | |  | AUGUST | | |
|  |  |  |  |  |  | |
|  | | ACADEMIC YEAR | | | |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| APRIL |  | MARCH |  |  |
| FINANCIAL YEAR- Budget | | |  |  |
| (2) LINKING IMPROVEMENT PLANNING TO THE SCHOOL BUDGET  **ACADEMIC YEAR**  Initiatives/projects/OFSTED action plan  BUDGET  Deployment of Staff    Priorities  The budget should reflect the priorities set out in the School Improvement Plan. When the Improvement Plan is being set *(and reviewed)* prior to the new academic year, the Governing Body should ensure:  • The current budget reflects the priorities of the Improvement Plan  • That any new initiatives *(development projects)* are identified and built into the planning process for next year’s budget.  (3) SETTING YOUR BUDGET - THE BUDGET CYCLE  Although budgets are set annually, the budget process is a continuous cycle of planning, monitoring and review. The diagram shows the process of working from steps 1 to 3 through a full financial year. 4) STAGES IN PREPARING THE BUDGET A summary of the key steps in setting the school budget is as follows: STEP 1: Review and update current year’s budget *(this information will be used to feed into the planning for next year’s budget)* by:  - reviewing budget against actual expenditure.  - agreeing previous year’s carry forward balance (surplus balance)**BUGET CYCLE** STEP 2: Incorporate any changes to the School Improvement Plan *(e.g. new project)* into the budget by assessing the financial implications. STEP 3: Estimate the resources available to the school in order to set the budget.  - assess impact of changes of pupil numbers.  - review the size/use of reserves and surplus balances  - identify other sources of income. STEP 4:  Estimate spending needs. STEP 5: Compare Step 3 against Step 4 (Income against Expenditure).  Consider possible financial position of school. STEP 6: Prepare budget. (5) BUDGET TIMETABLE A suggested timescale for preparing the budget is given below:  **£**   |  |  | | --- | --- | | TASK | TERM | | Review current year’s budget | Autumn | | Assess and review outline budget | Autumn/Early Spring | | Receive LA funding/approve final | Spring/Early Summer | | | |  |  |

The following example demonstrates 6 key steps that should be followed in planning your school budget.

Example: **ABBEY GREEN PRIMARY SCHOOL: 2013-14 BUDGET**

1. **REVIEW AND UPDATE CURRENT YEAR’S BUDGET AS AT 30 SEPTEMBER 2013**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Original Allocation**  **£** | **Projected Annual**  **£** | **Revised Allocation**  **£** | **Notes** |
| **EXPENDITURE** |  |  |  |  |
| Staffing | 226,000 | 224,000 | 224,000 | Saving due to staff vacancy £2,000 |
| Premises | 11,000 | 11,000 | 11,000 | On budget |
| Consumables | 9,500 | 8,500 | 9,500 | Spend £1,000 on new computer |
| **Total** | **246,500** | **243,500** | **244,500** |  |
| **INCOME** |  |  |  |  |
| Income | **253,000** | **253,000** | **253,000** |  |
| Balance brought forward | **15,000** | **15,000** | **15,000** |  |
| **Total** | **268,000** | **268,000** | **268,000** |  |
| **Estimated carry forward balance** | **21,500** | **24,500** | **23,500** |  |

**Further Notes:**

1. The staffing budget includes a teacher who is on a temporary contract *(cost £25,000)*.

2. The consumables budget includes a contingency reserve of £2,000.

Example: **ABBEY GREEN PRIMARY SCHOOL: 2014-15 BUDGET**

**01**

## (2) ASSESS LIKELY RESOURCE AVAILABLE

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2013-14** | **2014-15** | **Notes** |
| Pupil Numbers | 280 | 250 | Fall of 30 pupils |
|  | Revised Budget  £ | Income Projections  £ |  |
| Income | 253,000 | 226,000 | Fall in income due to 30 fewer pupils £27,000 |
| Carry foward balance | 15,000 | 23,500 |  |
| **Total Resources Available** | 268,000 | 249,500 |  |

## (3) ASSESS PROJECTED EXPENDITURE 2014-15

**BUDGET PROJECTIONS NOTES**

**£**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Revised Budget**  **£** | **Expenditure Projections**  **£** | **Notes** |
| Stafffing | 224,000 | 226,000 | £2,000 increase due to increments |
| Premises | 11,000 | 13,000 | £2,000 increase for repairs to buildings |
| Consumables | 9,500 | 11,500 | £2,000 for new curriculum materials |
| **Total Expenditure** | 244,500 | 250,500 |  |

**£**

## (4) REVIEW OF THE SCHOOL’S BUDGET POSITION

|  |  |  |
| --- | --- | --- |
| **SUMMARY POSITION** | **2013-14**  **£** | **2014-15**  **£** |
| Expenditure | 244,500 | 250,500 |
| Income | 253,000 | 226,000 |
| Carry forward | 15,000 | 23,500 |
| **Total Funds Available** | 268,000 | 249,500 |
| **Projected carry forward balance** | +23,500 | -1,000 |
|  |  |  |

## (5) PROPOSALS TO REDUCE EXPENDITURE IN 2014-15 BUDGET

1. Non-staffing expenditure Defer repairs to building – saving £2,000

Delete reserve fund – saving £2,000

2. Staffing expenditure Not possible to reduce support staff any further.

Do not extend temporary teaching contract from 31 August, 2014 – saving £15,000

**Total savings 2014-15 £19,000, (*full year saving of teaching post would be £30,000*).**

## (6) PROPOSED OUTLINE BUDGET

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2013-14**  **Revised Budget**  **£** | **2014-15**  **Projections**  **£** | **Notes** |
| Staffing | 224,000 | 211,000 | £15,000 saving from teaching |
| Premises | 11,000 | 11,000 | Defer repairs  £2,000 |
| Consumables | 9,500 | 9,500 | Remove £2,000 reserve |
| **Total Expenditure** | **244,500** | **231,500** |  |
| Income | 253,000 | 226,000 |  |
| Carried forward balance | 15,000 | 23,500 |  |
| **Total Income** | **268,000** | **249,500** |  |
| **Projected balance carried foward** | **+23,500** | **+18,000** |  |

**Summary of Points to note in this example**

• Use steps 1 to 6 to analyse your budget position

• Supporting notes/commentary allows ease of understanding and aids decision making

• Clear and concise presentation of financial information

## Questions Governors should ask

* When setting the annual budget are the objectives of the School Improvement plan costed and fed (incorporated ) into the budget plan?
* What steps does your school go through when setting the budget ?
* Does the Finance Committee play an active part in preparing the school’s budget ?
* Does the Headteacher provide an estimate of the schools total funding and compare this against expenditure?
* Does the Governing body approve the budget each year? If not it must!
* Has the Headteacher agreed a timetable for preparing the annual budget with the finance committee/ Governing body?

## Section 3

## Budget Monitoring Evaluation and Accountability

Purpose

This section explains the purpose of monitoring the budget, how to evaluate the budget and to show how Financial information can be presented

At the end of this section you should:

• understand the terms ‘budget monitoring, evaluation and accountability’

• know the purpose of budget monitoring

• appreciate a typical format for presenting the financial performance to the Governing Body and to parents

## (1) BUDGET MONITORING

Budget Monitoring is about looking at and controlling financial performance.The aim of monitoring your budget is to:

• review expenditure against the planned budget.

• revise expenditure plans where appropriate in the light of changes.

• take corrective action to ensure planned intentions are achieved.

To be effective in controlling the budget clear, accurate and timely management information is required. The Governing Body and Finance Committee should be presented with budget monitoring reports on school spending against approved expenditure on a regular basis.

## (2) EXAMPLE OF BUDGET MONITORING REPORT TO A FINANCE SUB-COMMITTEE**.**

## See appendix A for an example of a budget monitoring report.

## (3) EVALUATING THE BUDGET

It is essential to review the budget annually to:

• test how well the budget plan performed when compared against actual expenditure.

• test the assumptions on which the budget was prepared.

• improve the new budget by learning from mistakes.

This task is best achieved by a detailed examination of the budget in the Autumn/Spring Term, before the new budget is set.

## (4) ACCOUNTABILITY

The Governing Body is accountable for its actions. Accountability means providing the necessary information to parents and the local community to which the school serves so that they can judge the decisions made and the performance of the school.

The Headteacher must in turn be accountable to the Governing Body, and the Governing Body accountable to parents, the local community and the LA.

The Headteacher is accountable to the Governing Body by: -

• asking the Finance Committee to consider the detailed proposals in the budget and by asking the full Governing Body to approve the budget.

• providing termly budget monitoring reports to the Governing Body so that it can judge performance and take management decisions.

• bringing key financial issues to the attention of the Governing Body in order to make decisions.

• asking the Governing Body to approve financial policies *(e.g. charging policy)* to ensure statutory responsibilities are discharged.

The Governing Body is accountable to the parents, community and the LA by: -

• providing an annual report to parents e.g. the pupil premium and any sports grants

• providing the necessary financial returns to the LA and adhering to financial regulations

## (5)PRIVATE/VOLUNTARY FUNDS

All schools and the local community which the school serves can *(and do)* raise money and resources for the benefit of the school. In many cases schools establish separate private or unofficial fund accounts *(separate from the school budget)*.

Although these funds are not part of the school’s official budget, there are certain rules that schools must follow if they operate such an account involving:

• Proper accounting records must be maintained

• At least annually, a full breakdown of income and expenditure must be presented to the Governing Body.

• Annually the fund account is audited by someone independent from the person*(s)* keeping the records/authorising expenditure.

• The criteria for accessing the funds is agreed by the Governing Body

• Regular *(termly)* reports on the account are presented to the Governing Body.

## Questions Governors should ask

## How often do you receive and review budget monitoring reports ?

## Are budget monitoring reports clear and understandable?

## Does the school compare its budgets against year end expenditure to assess accuracy?

## Is the financial statement published on the grants e.g pupil premium sufficiently clear and informative?

## Section 4

## LA Funding and regulations

Purpose;

This section explains the Councils budget process, how the fair funding formula provides funding to school and an explanation of what financial rues a school should follow

At the end of this section you should:

• understand the basic steps involved in preparing the Council’s overall budget

• understand that schools are funded on a formula basis and be able to explain the main formula factors

• know that schools are required to adhere to financial rules and regulations and that governing bodies must submit key financial returns to the LA

• have knowledge of the Local Authority’s Scheme for Financing Schools

• understand the circumstances in which the loss of the right to a delegated budget might arise

## (1) COUNCIL’S BUDGET PROCESS FOR THE BUDGET

The overall steps involved in setting the Council’s budget are as follows:

|  |  |
| --- | --- |
| Prepare Base Budget | November |
| Receive Finance Settlement from the Government | December |
| Consider growth/reduction proposals | December-February |
| Set Budget | February |

**ECEMBER-FEBRUARY**

**MARCH**

## (2) THE ‘FUNDING’ FORMULA AND SCHOOL BUDGETS

All schools are funded by the LA via a funding formula. The funding is calculated using factors such as pupil numbers, number of pupils with free school meals and by phase *(e.g. primary)*.

A summary of these factors is given below:

# Mainstream Schools

|  |  |
| --- | --- |
| **Description** | **Factor** |
| Basic Entitlement | Age weighted pupil unit (AWPU) |
| Deprivation Funding | Free School Meals Ever 6 Primary |
| IDACI (Income Deprivation Affecting Children Index Primary |
| Other Pupil Led Funding | English As An Additional Language |
| Mobility |
| Low Cost High Incidence SEN (using low prior attainment measures) |
| Looked After Children |
| Other Formula Factors | Lump Sum |
| Rates |
| Split Site |
| Exceptional Circumstances (Joint Use of Sports Centre) |

# **Early Years Settings**

|  |  |
| --- | --- |
| **Description** | **Factor** |
| Core hourly rate | Hourly rate funding for up to 15 hours x 38 weeks |
| Deprivation Funding | IDACI (Income Deprivation Affecting Children Index Primary |
| Other Funding | Quality Funding – based on Ofsted judgement |
| Quality Funding – based on qualification of lead professional |
| Split Site |
| Lump Sum |

# Special Schools and Pupil Referral Unit

|  |  |
| --- | --- |
| Special School | PRU |
| Place funding @£10k per pupil | Place funding @£8k per pupil |
| Top-up funding per pupil which follows the pupil | Top-up funding per pupil which follows the pupil |
| Outreach Funding | Outreach Funding |

## School budgets are set along the following lines:

**OVERALL**

|  |  |
| --- | --- |
| Consultation on formula for following financial year | September |
| Schools Forum considers changes to the formula and approves provisional formula for submission to Education Funding Agency | End of October |
| EFA supplies October census data to LA’s and indicative Dedicated Schools Grant figures | Mid-December |
| Schools Forum considers and approves final formula values for submission to EFA | Mid-January |
| Primary and Secondary schools receive formula allocations | End of February |
| Early Years settings, special schools and Pupil Referral Unit receive formula allocations | End of March |

**BUEDUCATION**

Once the overall sum of money is agreed by the Council, *(see ISB above)*, the formula, using specific data, calculates each school’s budget. This is then issued to each school in a document known as a (Section 251) formula allocation statement.

It is for schools to determine how this money is to be used *(see Module 2 Planning and*

*Budget Setting)* once funding has been delegated to them.

## (3) FINANCIAL REGULATIONS FOR SCHOOLS

Although schools have a great deal of financial autonomy, there are a number of ‘checks and balances’ in the statutory framework to ensure resources are used sensibly and effectively.

All schools must spend within the statutory limits *(see Section 1: Roles and Responsibilities)*.

As well as this, all schools are bound by a document called ‘Schemes for Financing Schools’ *(it is part of the new School Standards and Framework Act, 1998)*. This is a document which sets out the detailed rules by which schools *(and the LA)* must abide. A number of key returns required by the document are set out overleaf.

**LMS FORMULA**

In addition, the Scheme for Financing Schools document sets out the detailed financial rules that schools must follow in designing and operating their financial systems and procedures *(see Section 5)*. This document also makes suggestions to schools or users of best accounting practice.

## (4) FINANCIAL RETURNS TO THE LA

**KEY FINANCIAL RETURNS TO THE LA**

|  |  |
| --- | --- |
| **KEY FINANCIAL RETURNS TO THE LA** | |
| Annual Budget and 3 year budget | A summary of the school’s annual and 3 year budget plans |
| Quarterly Year-end outturn projection | The school’s prediction of year-end balances (Summer, Autumn and Spring terms) |
| Surplus Balances – analysis of revenue balances | A statement setting how much of the school’s revenue balance is committed for specified projects |
| Consistent Financial Reporting (CFR) return | A statement of income and expenditure broken down into standard headings which aid benchmarking |
| School Financial Value Standard | A school’s self-assessment of its financial management (see Section 6) |
| Monthly bank account returns | A monthly return showing the school’s monthly spending via their bank account and VAT return |
|  |  |

## (5) NOTICE OF CONCERN

The LA may issue a notice of concern to any governing body of any maintained schools where, in the opinion of the Chief Finance Officer and the Director of Children’s Services, the school has failed to comply with the provisions of the Scheme for Financing Schools, or where action needs to be taken to safeguard the financial position of the LA or the school.

Any notice must set out the reasons and evidence for it being made and may place restrictions on the governing body in relation to the management of delegated funds.

# These restrictions could include regular financial monitoring meetings at the school, insisting on training for school staff and governors, insisting that an appropriately qualified person chairs the finance committee etc.

# (6) LOSS OF THE RIGHT TO A DELEGATED BUDGET

The LA may suspend a school’s right to a delegated budget in certain circumstances. There are where a governing body:

* Has persistently or substantially breached a requirement or restriction relating to its delegated budget
* Has not managed its budget share satisfactorily; or
* Has not managed satisfactorily its expenditure or sums received in the exercise of its power to provide community facilities and services.

The LA must serve a notice to the chair of governors specifying the grounds for suspension and give the governing body and Headteacher a copy of the notice. An LA may also intervene to suspend a school’s right to a delegated budget where there are concerns about standards. The LA is required to review the suspension within a specified period.

The principle effects on a school of suspension are:

* Loss of the right to decide how the delegated budget should be spent; and
* Loss of powers in relation to staffing matters

As a matter of best practice, schools and LA’s will discuss problems that might lead to suspension and try to solve any problems before the need for format action arises. Schools must co-operate with LA monitoring of financial issues and take a proactive approach to their resolution.

## Questions Governors should ask

* Have you as a Governor seen a copy of the schools (Section 252) formula funding allocation?
* Has the governing body been made aware of any updates to the scheme for financing schools?
* Is the Governing body confident that all financial returns are being submitted on time to the LA?
* Is there assurance that the delegated budget is being managed satisfactorily?

## Section 5

## Financial policies, systems and procedures

Purpose;

This section outlines the key financial policies and procedures that Governors need to understand

At the end of this section you should:

• Understand the key financial policies that Governing Bodies should be developing and approving in schools

• Understand the purpose of financial systems/procedures in the school

## (1) FINANCIAL POLICIES

It is the role of the Governing Body to make decisions on strategic matters including agreeing school policies.

**Definition:** A financial policy is a document that sets out the rules for making decisions on the operation of the school’s finances. There are a number of financially related policies that governing bodies need to agree, monitor and review their effectiveness within the school. A summary of some key policy matters is given below.

|  |  |
| --- | --- |
| POLICY MATTER | DESCRIPTION OF POLICY |
| Finance Committee Terms of Reference | Terms of Reference for the Finance Committee |
| Scheme of financial delegation | The rules for moving or viring resources within or between budget headings, the rules for the expenditure the headteacher can incur without recourse to the Governing Body |
| Charging policy/letting of school buildings | Criteria for making lettings to external users of the school’s premises |
| Voluntary/private funds | Criteria for use and monitoring of unofficial monies available to the school |
| Financial procedures manual | Manual which documents all school financial procedures/systems in the school |
| Agreeing the school budget | Timetable and process of setting the school’s budget |
| Asset management | Rules governing the acquisition and disposal of assets. Record of asset inventory |
| Purchasing | Rules on the purchase of goods/service by the school |
| Register of pecuniary interests | Rules on declaring special/pecuniary interests by the governing body |
| Reporting financial performance | Rules on the frequency and method of monitoring and reviewing the school budget |
| Insurance Arrangements | Policy for insuring school staff, Governors and buildings against significant loss/liability |
| Whistleblowing Policy | Policy setting out how staff in schools can report concerns |

It is important that the Governing Body play an active role in devising and monitoring these policies. All policies should be reviewed at least every 2 years.

**POLICY MATTER DESCRIPTION OF POLICY**

## FINANCIAL SYSTEMS AND PROCEDURES

Financial systems and procedures are required to record and control the financial resources in the school.

**Definition:** A financial system/procedure describes the detailed steps involved in operating the school’s finances. Although these systems/procedures are largely operational matters and as such, under the day-to-day management of the Headteacher, it is important that Governors have an appreciation of the range of financial systems/procedures in a school environment. The school should maintain a financial procedures manual.

An example of a financial system would be the school’s SIMS accounting system. This system is used to record transactions, produce financial returns and management reports to allow the school to monitor its financial performance. Schools also use HCSS web-based software to produce short, medium and long-term budget plans.

## Questions Governors should ask

* What financial policies does your school have in place and how often (and by whom) are they reviewed?
* Has the School Business Manager demonstrated SIMS and the HCSS budgeting software and related financial management systems / reports to the Finance Committee?
* Has the school documented its Financial procedures ?

## Section 6: School Financial Value Standard (SFVS)

Purpose

This final section provides a summary of the annual exercise undertaken by schools to they meet the requirements of SFVS

At the end of this section you should:

**•** Have an appreciation of the requirements of the SFVS

• Understand the role of governors in completing the SFVS

**(**1) SCHOOL FINANCIAL VALUE STANDARD

All maintained schools must complete the SFVS each year. The purpose of the standard is to help schools manage their finances to support them in securing value for money across all of their spending and to give assurance that secure financial management arrangements are in place.

## (2) THE ROLE OF SCHOOLS AND GOVERNORS

SFVS should be considered by governors, the Headteacher and senior staff annually. The standard does not say what evidence the governing body should consider but governors must be confident that their response has a firm grounding. The school must send a copy of the signed standard to the LA’s finance department. Schools were required to complete the SFVS for the first time by 31 March 2013, with an annual review thereafter.

* The standard consists of 23 questions which governing bodies should formally discuss annually with the head teacher and senior staff.
* The questions which form the standard are in sections A to D. Each question requires an answer of Yes, In Part, or No.   
  + If the answer is Yes, the comments column can be used to indicate the main evidence on which the governing body based its answer.
  + If the answer is No or In Part, the column should contain a very brief summary of the position and proposed remedial action.
* In Section E, governors should summarise remedial actions and the timetable for reporting back. Governors should ensure that each action has a specified deadline and an agreed owner.

The governing body may delegate the consideration of the questions to a finance or other relevant committee, but a detailed report should be provided to the full governing body and the chair of governors must sign the completed form.

**(**3) KEY AREAS OF THE STANDARD

## There are 4 areas covered by the Standard

* The Governing Body and School Staff
* Setting the Budget
* Value For Money
* Protecting Public Money

The Local Authority has produced a guide to help schools complete the SFVS, which is available within the Finance Section on the Children & Learning Grid.

Questions governors should ask:

* Have you seen a copy of the latest self assessment under SFVS?
* Is SFVS a regular agenda item on Governing Body meetings?
* Have remedial actions been monitored and followed up to ensure they have been taken?

## Section 7: Leasing and Contracts

Purpose

This final section provides guidance for governors on leasing and contracts

At the end of this section you should:

**•** Have an appreciation of the leasing arrangements schools are allowed to enter into

• Understand the role of governors in entering into contracts  
  
• Understand where to seek further guidance

## (1) LEASING

There are 2 main categories of leases – finance leases (including hire purchase agreements) and operating leases. ***An operating lease is the only type of lease a school can enter into.*** Leasing is a complex subject for which specialist advice should be sought.

***A finance lease*** transfers substantially all the risks and rewards of ownership to a school. It is a form of borrowing and ***must not be entered into by schools.***  The LA’s Scheme for Financing Schools prohibits any form of borrowing by schools without the express written permission of the secretary of state for education.

Operating leases are any leases which are not finance leases. They have the character of a rental agreement and normally the period of the lease will be for substantially less than the useful life of the asset. ***An operating lease is the only type of lease available to schools.***

## GOVERNORS AND LEASING

All leasing contracts must be approved by the governing body and only a suitably authorised signatory (ie Chair of Governors or Chair of Finance) should sign a lease.

## ADVICE FOR GOVERNORS

**Do:**

Ensure adherence to the financial regulations and standing orders of the LA

Ensure advice is sought before committing to a lease agreement

Ensure that any lease is an operating lease

**Don’t:**

Sign a lease agreement without seeking advice

Sign if there is anything in the contract which is not clear

## CONTRACTS

Schools should comply with the LA’s procurement rules as set out in the Contract Procurement Procedures guidance. Governing bodies must have in place mechanisms to monitor levels of commitments (orders) against budgets and must ensure that there will be adequate funds available before an order is authorised and placed.

There are levels at which schools must obtain quotations or enter into tendering arrangements before contracts are entered into.

**(**5) INTERESTS OF GOVERNORS, HEADTEACHERS OR STAFF IN CONTRACTS

## The school should maintain and annually update a Pecuniary Interest Register. This document should be open to inspection by the public.

## If any Governor, Headteacher or member of staff, is aware of any Contract (including any proposed Contract) in which they will have a direct or pecuniary interest then they should notify the Governing Body as soon as possible.

If any Governor, Headteacher or member of staff is present at any committee meeting at which a Contract (including any proposed Contract) in which they have a direct or indirect pecuniary interest is to be discussed, then they should declare the interest and exclude themselves from the meeting and decision making process

## (6) SERVICE LEVEL AGREEMENTS FOR THE PROVISION OF LOCAL AUTHORITY SERVICES

Governors should discuss the options available to the school prior to the approval of continuation/cessation of contracts, including Local Authority sourced services.