

**DEPARTMENT OF EDUCATION  
(Northern Ireland)**

**GUIDANCE ON FINANCIAL AND MANAGEMENT  
ARRANGEMENTS FOR CONTROLLED AND  
MAINTAINED SCHOOLS FUNDED UNDER  
THE COMMON FUNDING SCHEME**

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## **1. GENERAL**

1.1 Each Funding Authority is required to set out the conditions under which the Board of Governors of a school is given delegated authority and its delegated budget. This document sets out guidance which each Education and Library Board (ELB) should follow in setting out the conditions to apply to schools served by the common formula. Each Education and Library Board is free to devise its own arrangements, taking account of the requirements and obligations set out in its financial memorandum and the common funding scheme.

1.2 Voluntary Grammar Schools and Grant Maintained Integrated Schools have direct control of their finances and thus the conditions applied to those schools are subject to separate arrangements.

## **2. CONDITIONS APPLIED BY EDUCATION AND LIBRARY BOARDS**

2.1 The Financial Memorandum issued by the Department of Education and applicable to each Education and Library Board defines the Chief Executive's responsibility for all the financial matters of the ELB including ensuring that public funds for which he/she is responsible are properly managed and safeguarded. The scope of the Chief Executive's responsibility extends to all aspects of the Local Management of Schools undertaken by Boards of Governors.

2.2 It is important that any arrangements put in place establish an appropriate balance between giving schools the freedom necessary to exercise their delegated authority, and maintaining due regard for the proper accountability for, and control over, the use of public funds. Arrangements must provide for the Chief Executive, or a member of Board staff acting on his/her behalf, to have access to all relevant documentation in addition to the right to attend meetings of Boards of Governors of all schools to give advice or report on major financial matters related to that responsibility.

## **3. ROLES AND RESPONSIBILITIES**

### ***The Department of Education***

3.1 The Permanent Secretary of the Department of Education is the Accounting Officer and as such is personally responsible to the Minister of Education and Parliament (the NI Assembly if in place) for the propriety and regularity of use of all resources made available to the Department. In particular he/she is responsible for:

- a) ensuring value for money in the utilisation of these resources;
- b) ensuring that any conditions applied by the Parliament to the issue of the resources are adhered to;
- c) ensuring that the framework of financial and management controls are appropriate and safeguard public funds.

3.2 In the exercise of these powers the Permanent Secretary has made the Chief Executive of each Education and Library Board personally accountable for the resources expended by the Board, including those delegated to controlled and maintained schools in its area. Boards and schools are therefore expected to work closely with the Department in ensuring that the overall policy of Local Management of Schools adheres to the highest

standards of financial control and management and that public funds are used wisely, properly and effectively. Whilst 'Best Value' does not currently apply to schools, schools need to be able to demonstrate that they are following the broad principles in their expenditure.

### ***Education and Library Boards***

3.3 Education and Library Boards retain responsibility for handling funds and for ensuring the maintenance of appropriate records for accounting and audit purposes. The Chief Executive of the ELB has the responsibility of ensuring that adequate systems and procedures exist to account for all income due and expenditure incurred on behalf of the ELB, including those in respect of schools funded by the Board and that controls are in operation to protect assets from loss, waste, fraud or impropriety.

3.4 The Education and Library Board continues to be accountable for the public resources delegated to individual schools. In particular it will:

- a. confirm the reliability of the source data used in the calculation of the budget share for each school under the LMS formula and inform schools accordingly;
- b. establish and keep under review the conditions within which Boards of Governors must operate;
- c. monitor the operation of LMS in schools, providing management information to schools and, generally, giving advice;
- d. undertake specific responsibilities as the employing authority for teaching and non-teaching staff in controlled schools and non-teaching staff in maintained schools, and issuing guidelines to Boards of Governors of schools on appropriate procedures and practice to be followed in cases of discipline, dismissal etc of such staff. This does not include the determination of the teaching and non-teaching staff complements in schools with fully delegated budgets;
- e. establish and operate procedures in relation to the appointment of teaching staff in controlled schools and of non-teaching staff in controlled and maintained schools;
- f. make available to individual schools (and to the CCMS, in the case of Catholic maintained schools) statements, as agreed, showing financial allocations and actual school expenditure;
- g. establish and operate a system of audit to provide the necessary and appropriate level of assurance that proper controls are in place to safeguard public funds; and
- h. apply sanctions, where appropriate, including suspension of delegation.

In addition to the requirements imposed by the legislation, ELB's should bear in mind the importance of making information available to, and, where appropriate, consult, schools, statutory bodies and other interests affected in matters of relevance to them.

3.5 The Education and Library Board will also:

- a. determine the total resources to be made available for meeting expenditure on excepted items in respect of all controlled and maintained schools in its area, covered by the Common Funding Scheme and manage the excepted items within the general schools budget; and
- b. provide support and training for Boards of Governors and teaching and non-teaching staff, as appropriate, in all schools;

3.6 The Education and Library Board may, by agreement with the school, provide any services for which funding and responsibility has been delegated and charge schools accordingly. The terms of any such arrangement should not exceed 5 years (renewable) and in packaging such services the ELB must do so in a way that does not unreasonably restrict schools' freedom of choice. Any arrangement must be provided under a service level agreement specifying, inter alia, the service being provided, the measures by which quality will be assessed, the cost basis and the arrangements for termination.

### ***Council for Catholic Maintained Schools (CCMS)***

3.7 In addition to its general responsibility for the promotion and co-ordination of the planning of the effective provision of Catholic maintained schools, the CCMS has a number of roles which are directly relevant to the operation of LMS in Catholic maintained schools:-

- a. undertaking specific responsibilities as the employing authority for teachers (but not including the determination of teaching staff complements for schools with fully delegated budgets);
- b. establishing and operating of procedures in relation to the appointment of teachers; and
- c. advising Boards of Governors of schools with delegated budgets on procedures and practice to be followed in cases of discipline, dismissal, etc of teachers.

### ***Boards of Governors***

3.8 The delegation of financial and managerial responsibilities to Boards of Governors remains at the heart of LMS. The central objective is to enable schools to plan and control their use of resources, and to help them to be more responsive to those they seek to serve, namely pupils, parents, the local community and employers.

3.9 Each Board of Governors is responsible for the proper financial management of the resources allocated to the school. This includes the security, custody and management of assets including plant, equipment, buildings, materials, cash and stores in accordance with procedures set down by the Board. Boards of Governors will also have certain responsibilities with regard to staffing issues and should ensure that any procedures set down by the Board (and CCMS as appropriate) are followed, especially those relating to appointment, discipline and dismissal.

3.10 The Board of Governors of each school should pay particular attention to the following principles of good financial management:

- a) the financial business of the school should be conducted in accordance with any arrangements established by the Education and Library Board or the Department;
- b) expenditure should be contained within the approved budget unless otherwise agreed by the Education and Library Board (see also Section 5);
- c) proper attention must be paid to the efficient and effective management of all the school's resources and expenditure, capital assets, equipment and staff so that public funds are not put at risk and that value for money and other financial considerations are taken into account in reaching decisions and in their execution;
- d) office procedures within each school should contain appropriate safeguards against fraud and theft.

3.11 Within the framework of legislation and the financial accounting and other provisions of the Common Funding Scheme, the Board of Governors of each school controls the running of the school within that budget. The Board of Governors should have the freedom to deploy resources within the school's budget for the benefit of pupils according to its own assessment of educational needs and priorities. The Board of Governors will have specific responsibility for:

- a. approval of the financial plan and monitoring expenditure against that plan;
- b. determination of teaching and non-teaching staff complements for the school;
- c. Principal's and Vice Principal's pay flexibilities;
- d. taking decisions on the purchase of specified goods and services;
- e. selection of non-teaching staff and, subject to a teacher appointment scheme (in the case of controlled and Catholic maintained schools), selection/participation in the selection of teaching staff, for appointment to the school;
- f. regulation of the conduct and discipline of staff;
- g. suspension of staff; and
- h. determining that any person employed to work at the school under a particular contract should cease work there under that contract and notifying the employing authority in writing of its determination.

3.12 The Board of Governors has no management responsibility for persons employed by the ELB but not assigned to the school e.g. staff employed to work solely in connection with the provision of a school meals service, grounds maintenance staff etc.

3.13 In exercising its overriding financial and managerial responsibilities within the school, each Board of Governors should ensure that:

- a. detailed estimates are drawn up which reflect the school's priorities, in particular those set out in the school development plan;

- b. actual, committed and projected expenditure is regularly monitored (at least quarterly) by the Board of Governors and decisions taken on the management of the budget in light of this information; and
- c. arrangements are in place to meet any requirements of the Common Funding Scheme.

3.14 Boards of Governors may wish to delegate responsibility for the day-to-day financial management of the school to the Principal and it is recommended that a Finance Committee be appointed to deal with certain aspects of finance within the school. It is vital that, in delegating these responsibilities, the Board of Governors:

- a) ensures that all involved have an appropriate terms of reference and are fully aware of the extent of their delegated authority and that these are clearly set out, minuted and agreed at a meeting of the full Board of Governors; and
- b) that arrangements are put in place which ensures that the full Board of Governors is kept informed, on a regular basis, of significant issues affecting finance and financial management in the school.

3.15 To discharge their LMS responsibilities effectively, Boards of Governors will require advice and support from other bodies on a range of issues. Education and Library Boards and, for certain matters in Catholic maintained schools, the Council for Catholic Maintained Schools will provide this support. Education and Library Boards can require representatives of individual Boards of Governors to meet with them as required.

3.16 Each Board of Governors is responsible for reporting on the discharge of its responsibilities in relation to its school, including its responsibilities under LMS. The annual report containing financial and other information, will play an important part in this regard and it is important that each Board of Governors should be aware of the need for a positive and ongoing partnership involving governors, teachers, parents and other interested parties in school matters.

### ***The Principal***

3.17 The development of an effective working relationship between the Board of Governors and the Principal is vital if the school is to operate successfully. The Principal is a non-voting member of the Board of Governors and is entitled to attend and take part in meetings unless an aspect of his/her performance or salary is being discussed. The Principal's experience, knowledge and management expertise should be a major asset to the school in operating under LMS.

3.18 While overall statutory responsibilities cannot be delegated, it is envisaged that each Board of Governors will delegate to the Principal specific authority in relation to the management of all or part of the school's delegated budget within the conditions of the scheme. This should be done in writing and should normally include:

- a) the development and maintenance of a proper system of controls within the school to ensure that resources are properly utilised and in accordance with the school's policies and priorities as agreed by the Board of Governors;
- b) ensuring that adequate records are kept not only to support all financial transactions but also those relating to pupils etc;
- c) drawing up financial plans which take account of the School Development Plan and submitting these for consideration by the Board of Governors and reporting on progress against the plan at subsequent meetings;
- d) ensuring that the school's assets, including buildings, land, stores and equipment are adequately protected and maintained and any losses and shortcomings drawn to the attention of the Board of Governors;
- e) assisting the Board of Governors in ensuring that issues of propriety, value for money and regularity are fully considered where appropriate and, in particular, advising the Board of Governors should any action or policy under consideration by the Board of Governors appear to be incompatible with the arrangements under which delegated authority has been granted.

3.19 Where specific powers are delegated, the Board of Governors should ensure that the role of the Principal and the extent of his/her decision-making authority are clear to all concerned and that there are appropriate mechanisms in place for governors to be kept informed. Principals are also encouraged to establish appropriate structures to involve staff in the decision-taking and budgetary control processes. Where this involves delegated authority, for example, to make orders within prescribed limits, this must be set out in writing and approved by the Board of Governors.

### ***Restrictions on Delegation***

3.20 The Common Funding Scheme empowers an Education and Library Board to restrict the authority delegated to individual Boards of Governors where it believes that the school cannot operate within the level of resources that it has at its disposal. Such restrictions will be as the ELB deems appropriate and necessary to ensure that planned and actual expenditure is brought to a position acceptable to the ELB (see also paragraphs 5.19 – 5.22).

### ***Suspension of Delegation***

3.21 The legislation (Article 55 of the 1998 Order as amended) empowers an Education and Library Board to suspend a Board of Governors' right to a delegated budget where it appears that the Board of Governors:

- a) has been guilty of substantial or persistent failure to comply with any requirement or conditions applicable under the scheme; or
- b) has not managed the appropriation or expenditure of the resources put at its disposal for the purposes of the school in a satisfactory manner.

3.22 Where a Board of Governors fails to carry out its duty in relation to the implementation of the Northern Ireland Curriculum the Department may take such remedial action as it thinks necessary. However, should substantial or persistent failure to comply with the NI Curriculum continue there may be grounds for suspension of delegation.

### ***Procedure for Restricting or Suspending Delegated Authority***

3.23 Where there is a proposal to restrict or suspend delegation the ELB must give at least one month's notice to the Board of Governors and, at the same time, specify the grounds for the action proposed. At the same time a copy of the notice must be given to the Principal of the school, to the Department of Education and, in the case of a Catholic maintained school, to the Council for Catholic Maintained Schools.

3.24 In emergency situations the Education and Library Board may restrict or suspend delegation before the expiry of the period of notice but must at the same time provide the Board of Governors, the Principal of the school, the Department of Education and, in the case of Catholic maintained schools, the Council for Catholic Maintained Schools, with written notification of its actions and its reasons for it.

3.25 Where the Education and Library Board withdraws a notice of restriction or suspension of delegation at any time before the expiry of the period of notice then the ELB must, at the same time, give written notification of the withdrawal to the Board of Governors, the Principal of the school, the Department of Education and, in the case of a Catholic maintained school, to the Council for Catholic Maintained Schools.

3.26 A Board of Governors will have the right to appeal to the Department of Education against the restriction or suspension of delegation. The restriction or suspension of delegation will not affect the budget share of the school as arrived at by the Common Funding formula. However where a school's right to a delegated budget is suspended, it will no longer exercise delegated responsibility for the staffing of the school, including the staffing complement - in such cases the power to determine staffing complement reverts to the Education & Library Board. In exercising this function in Catholic maintained schools the Department would expect decisions to be made only after consultation with Council for Catholic Maintained Schools.

3.27 The ELB will review annually any restriction or suspension of delegation with a view to restoring such authority as early as possible with effect from the beginning of a financial year, provided that the ELB is satisfied that there are effective measures in place to ensure that appropriate standards of financial management are in place.

## **4. GOVERNANCE ISSUES**

### ***Board of Governors – Training***

4.1 In addition to the training that is available to them on LMS matters, Boards of Governors should continue to have recourse to the advice of the Chief Executive and officers of each ELB. Over the whole range of education and management issues arising at any school, governors can benefit from making full use of the professional advice which ELB officers and advisers can provide. Education and Library Boards should ensure that

up-to-date guidance continues to issue to Boards of Governors in relation to relevant statutory provisions and other matters of importance to the discharge of governor responsibilities, such as property management, budget management, purchasing, governance, internal control, risk management and the preparation of all school development plans e.g. curriculum and financial plans etc.

### ***Personal Liability of Governors***

4.2 Boards of Governors of all schools have extensive freedom to spend their delegated budgets as they see fit. Article 6(5) of the Education & Libraries (NI) Order 2003 makes it clear that the governors of a school will not incur any personal liability in respect of any action taken in good faith in the exercise or purported exercise of their delegated powers under a scheme. There is no definition on what constitutes good faith but, broadly speaking, it may be regarded as any act that was undertaken honestly and with no ulterior motive in the light of the information available at the time of the act. Article 6(5) does not, however, cover any negligence by a Board of Governors in exercise of powers other than that of spending their delegated budget under Article 6(4).

4.3 Any contractual liability, for example, resulting from the cancellation of a contract for supplies, will be met in accordance with the agreed classification of expenditure as set out in the Common Funding Scheme. The Common Funding Scheme includes provision in specified circumstances for the charging of certain expenses normally met by the ELB to a school's budget.

4.4 Article 88(6) of the 1986 Order, as amended in Schedule 9 to the 1989 Order, provides that functions exercised by the Board of Governors of a controlled or maintained school under Article 88 (as amended) in relation to the appointment of non-teaching staff are carried out on behalf of, and in the name of, the Education and Library Board. Under Article 10(5) of the 1986 Order, as substituted in Schedule 9 to the 1989 Order, the same applies to functions exercised by the Board of Governors of a controlled school in relation to appointments under a teacher appointments scheme.

4.5 The Education and Library Board should provide an indemnity to Boards of Governors in connection with the exercise of their statutory functions and responsibilities under the Education Orders, provided such functions are exercised in accordance with the conditions of the indemnity. The indemnity should also extend to the liabilities of Boards of Governors acting as such under the headings of:

- a) Professional indemnity
- b) Libel and slander
- c) Wrongful acts
- d) Legal expenses

- provided that their actions were taken in good faith and without reckless disregard for the ELB's policies, procedures and guidelines and other directives issued by statutory agencies.

4.6 There is no provision against theft or accidental damage to Governors' personal property or against personal accident. Similarly there is no provision to cover the use of Governors' cars on school activities.

### ***Personal Liability of School Employees***

4.7 The common law duties of Principals and other school employees are in substance unchanged by local management. They are individually liable for any negligent acts; but if they have acted in the course of their employment, their employer will also be liable.

### ***Insurance***

4.8 Under current arrangements each Education and Library Board carries its own risk for public and employer's liability claims. Under this arrangement, there is an indemnity passed on to Boards of Governors of controlled schools in respect of any liabilities they may incur in these areas. Schools which are not in the controlled sector are commercially insured.

4.9 The Education and Library Board should provide schools with details of the cover provided whether through commercial insurance or otherwise.

## **5. RECURRENT FUNDING**

### ***Use of LMS Resources***

5.1 The Board of Governors must consult and obtain the ELB's agreement before incurring any expenditure which:

- a) is not in accordance with the Common Funding Scheme;
- b) may be of doubtful legality; or
- c) may result in exceeding the agreed level of resources available to the school.

5.2 The Board of Governors of controlled schools are not permitted to enter into any agreement connected with the buying, selling or granting of interests in land and buildings owned by the Education and Library Board. In the case of maintained schools these activities are the responsibility of trustees. Schools cannot use resources to subsidise, preparatory departments or other parts of a school not accorded grant-funded status, e.g. independent Nursery or other independent Units.

5.3 The Board of Governors is responsible for the observance of any financial regulations prescribed by the Board and should bring them to the attention of all staff. If a Board of Governors fails to observe the financial regulations the Education and Library Board may restrict or suspend its right to a delegated budget.

5.4 Financial limits may be varied periodically by the ELB.