

Scheme for Financing Maintained Schools

Including the Scheme of Financial Management for Schools (Financial Regulations)

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1. Introduction

This guidance contains a number of key documents as required by legislation which set out both the funding framework for schools and more detailed roles, responsibilities and processes.

- **The Scheme for Financing Maintained Schools** pages 4-32 sets out the financial relationship between the Authority and the schools maintained by the Authority.
- **The Scheme of Financial Management for Schools (Financial Regulations)** Annex B - pages 36-61 provides a more detailed set of Financial Regulations required under the School Standards and Framework Act 1998. Schools can either draft their own regulations or adopt those contained in this document, but these regulations form the minimum standard, and school's own regulations must be no less rigorous than these.
- **Annexes C to H** pages 61-76 provide further guidance and information to support both the Scheme for Financing Maintained Schools and Financial Regulations.

1.1. *The Funding Framework*

The funding framework which replaces Local Management of Schools is set out in the legislative provisions in sections 45 to 53 of the School Standards and Framework Act 1998.

Under this legislation, local authorities determine for themselves the size of their schools budget and their non-schools education budget, although at a minimum a local authority must appropriate its entire dedicated schools grant to its schools budget.

The categories of expenditure which fall within the 2 budgets are prescribed under regulations made by the Secretary of State, but included within the 2, taken together, is all expenditure, direct and indirect, on a local authority's maintained schools except for capital and certain miscellaneous items.

Local authorities may deduct funds from their schools budget for purposes specified in regulations made by the Secretary of State under section 45A of [the Act](#) (the centrally retained expenditure).

The amounts to be deducted for these purposes are decided by the local authority concerned, subject to any limits or conditions, including gaining the approval of their schools forum or the Secretary of State in certain instances, as prescribed by the Secretary of State.

The balance of the schools budget left after deduction of the centrally retained expenditure is termed the individual schools budget (ISB). Expenditure items in the non-schools education budget must be retained centrally, although earmarked allocations may be made to schools.

Local authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school.

This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with section 51 of [the Act](#).

The financial controls within which delegation works are set out in a scheme made by the local authority in accordance with section 48 of [the Act](#) and regulations made under that section.

All proposals to revise the scheme must be approved by the schools forum, though the local authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.

Subject to any provision made by or under the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school and for any additional purposes prescribed by the Secretary of State in regulations made under section 50 of [the Act](#).

Section 50 has been amended to provide that amounts spent by a governing body on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (section 50(3A) of [the Act](#)).

A local authority may suspend a school's right to a delegated budget if the provisions of the authority's financial scheme, or rules applied by the scheme, have been substantially or persistently breached, or if the budget share has not been managed satisfactorily.

A school's right to a delegated budget share may also be suspended for other reasons, under schedule 17 to [the Act](#).

Each local authority is obliged to publish each year a statement setting out details of its planned schools budget and other expenditure on children's services, showing the amounts to be centrally retained and funding delegated to schools; after each financial year the authority must publish a statement showing outturn expenditure.

The detailed publication requirements for financial statements are set out in directions issued by the Secretary of State.

A copy of each year's budget and outturn statement should be made easily accessible to all schools.

Regulations also require a local authority to publish their scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.

1.2. The Role of the Scheme

This Scheme sets out the financial relationship between the Authority and the schools maintained by the Authority. The Scheme contains requirements which are binding on both the Authority and on its maintained schools.

1.3. Application of the Scheme

This Scheme applies to all Cambridgeshire community, nursery, voluntary, foundation, community special, foundation special schools, and pupil referral units maintained by the Authority. It does not apply to schools situated in the authority's area which are maintained by another authority. Nor does it apply to Academies. The names of the schools to which this Scheme applies are contained in [Annex A](#) to this Scheme.

As noted above, schools can either draft their own regulations or adopt those contained in Scheme of Financial Management for Schools (Financial Regulations), but these regulations form the minimum standard, and school's own regulations must be no less rigorous than these. Governors are therefore required to ensure that all required policies and procedures are in place and ratified.

1.4. Publication of the Scheme

As a minimum, the scheme must be published on a website which is accessible to the general public and that any revised version must be published by the date the revisions come into force, together with a statement that the revised scheme comes into force on that date

1.5. Revision of the Scheme

The scheme will be kept under annual review. Amendments to the Scheme may be proposed by the Authority and will be subject to consultation with the Schools Forum. Schools Forum will decide whether the proposed revisions are of such significance that they should be subject to a general consultation with all schools, and if so then all maintained schools with a right to a delegated budget will be consulted on those proposed revisions. Revisions to the scheme proposed by the Authority may only be implemented after the Schools Forum or (in cases where the authority and the Schools Forum cannot agree) the Secretary of State has approved them. In the event that a vote is necessary when deciding whether to agree changes to the Scheme, only members of the Schools Forum representing maintained schools will be entitled to vote.

1.6. Delegation of Powers to the head teacher

The governing body of a school must consider what powers it wishes to delegate for the financial management of the school to the Headteacher, who is responsible for the day-to-day management of the school. Similarly, powers may be delegated to a committee of the governing body, such as a finance committee, which may meet more frequently than the full governing body and therefore be in a position to respond more quickly to issues which arise in the financial management of the school.

The governing body can delegate authority to carry out these and other tasks but cannot delegate the responsibility. The governing body remains ultimately accountable. Where such delegation is made, it is important that all parties are aware of the extent of their delegated powers, which should be clearly set out and minuted at a meeting of the full governing body. Such decisions by the governing body are subject to any requirements set out in regulations made by the Secretary of State under S.38 and Schedule 11 of [the Act](#). The level and extent of any delegation must be reviewed at least annually, and completion of the review and any revisions must be recorded in the minutes of the full governing body.

Delegated powers should be outlined in a scheme of financial delegation in keeping with the [Model Scheme of Financial Delegation](#)

The first formal budget plan for each financial year must be approved by the full governing body and this responsibility cannot be delegated to a committee or individual. Approval of the first budget plan must be recorded in the minutes of the appropriate meeting.

1.7. Maintenance of Schools

The Authority is responsible for maintaining the schools covered by the scheme, and this includes defraying the expenses of maintaining them (though in the case of a voluntary aided school the costs of capital works are, by statute, payable by the governing body). Part of the way an authority maintains schools is through the funding system put in place under sections 45 to 53 of [the Act](#). This is deemed in law to provide all the resources required by the governing body to meet the expenses of operating the school.

2. Financial Controls

2.1. *Application of financial controls*

In addition to the specific requirements of the Scheme, schools must follow any additional guidance given by the Authority which has been approved as mandatory by the Schools Forum and should also have regard to advice given by the Authority in respect of any financial matters not covered by the Scheme.

2.2. *Provision of financial information and reports*

Schools are required to provide the authority with details of anticipated and actual expenditure and income, in a form and at times determined by the authority as set out in this scheme. Schools are required to submit financial returns as prescribed in the Corporate Requirements document, a minimum of four times a financial year, the last return being the year-end financial return.

If the Authority is concerned with the financial arrangements within a school or a number of schools, or requires the financial information for any other reason, the authority is able to request more frequent reporting from schools providing that the request is in writing.

2.3. *Payment of salaries*

All payroll responsibilities - such as effective administration, payments and submission of returns - will rest with the school. This will include submitting information to the Local Authority as requested by the due dates.

Where payments are not from central systems, schools will need to provide such additional information as is needed for statutory returns and appropriate monitoring.

The head teacher is responsible for verifying that all persons paid via the payroll are properly appointed employees.

The Chair of the governing body must authorise in writing any change in the head teacher's salary except standard incremental and inflationary increases. A copy of the Chair's signature must be sent to the payroll service provider, to be held on file, in order to validate any request for amendment.

2.4. *Control of assets*

Schools must maintain an inventory of their moveable non-capital assets, and comply with instructions on the form of this inventory, and the procedures for disposal of assets as set out in the contract regulations. Schools determine their own arrangements for keeping a register of assets worth less than £1,000, but they must keep a register in some form. This is particularly important for moveable ICT equipment therefore schools may wish to

consider a separate register for ICT equipment.

2.5. Accounting policies

Schools must follow the accounting policies and procedures issued by the Chief Finance Officer and detailed in [Annex B](#) the Scheme of Financial Management for Schools (Finance regulations - which is subsidiary to the Authority's [Scheme of financial management](#)). The format and content of accounts and a timetable for providing the necessary information will be agreed with the Schools Forum and published on a publicly available web site.

2.6. Writing off debts

All write-offs over £500 should be approved by the Chief Finance Officer or representative. Schools corporate finance team should be notified of any write offs under £500 termly. The governing body must be informed of any accounts proposed for write-off. All accounts proposed for write off must be submitted to the Authority for approval in accordance with the Scheme of Financial Management for Schools.

2.7. Submission of budget plans

Each school must submit a budget plan to the Authority by a specified date in each financial year. The budget submission should be agreed by the governing body or a committee with responsibility for budget planning no later than the date specified by the Schools Finance Team.

Schools should include their best estimate of their balances (deficit/surplus) as at the previous 31 March in their budget plan. Schools may also be required to submit provisional plans prior to the final budget plan in a form prescribed by the Chief Finance Officer. Revised budget plans must be supplied to the Chief Finance Officer where there has been a significant change in the allocation of funds.

The Chief Finance Officer and service Director: Education undertake to supply schools with all income and expenditure data held by the Authority which is necessary for effective planning by schools. The dates at which such information will be available will be agreed between the Authority and the Schools Forum and will be notified to schools.

2.8. Submission of financial forecasts

Each school must submit a 3-year budget forecast each year, at a date determined by the local authority between 1 May and 30 June.

2.9. School resource management

Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements.

It is for heads and governors to determine at school level how to optimise the use of resources and maximise value for money.

There are significant variations in efficiency between similar schools, and so it's important for schools to review their current expenditure, compare it to other schools, and think about how to make improvements.

2.10. *Virement*

Schools may transfer funds between budget heads in their delegated budget share in accordance with their internal delegation of powers as approved by the full governing body under paragraph 1.6 of this Scheme.

2.11. *Audit: General*

Schools are included within the Council's internal audit regime, as determined by the Chief Finance Officer, and in the external audit regime as determined by the Local Audit and Accountability Act 2014, and requires them to co-operate with it.

The Chief Finance Officer is required to carry out a continuous internal audit and appraisal of accounting and financial operations throughout the Authority in accordance with the Accounts and Audit Regulations 2015. For such purposes the Chief Finance Officer shall have access to all records and computer held data appertaining in any way to the finances of the Authority. The Council's external auditors have similar rights of access to this information.

2.12. *Separate external audits*

A governing body may spend funds from its budget share to obtain external audit certification of its accounts. Where such an external audit is undertaken a copy of the certification and any accompanying comments must be sent to the Chief Finance Officer within 1 month of being prepared.

There is no expectation by the Secretary of State that routine annual external audit at school level of budget share expenditure should be a usual feature of the funding system, merely that schools should not be prevented from seeking an additional source of assurance at their own expense.

2.13. *Audit of voluntary and private funds*

Schools must provide audit certificates for all private and voluntary funds held and for the accounts of any trading organisations controlled by the school. Audit certificates (and any accompanying reports) must be reported to the governing body and sent to the Chief Finance Officer within 1 month of being prepared and in all cases within 6 months of the accounting year end.

2.14. Register of business interests

The governing body of the school must maintain a register which lists for each member of the governing body and the head teacher:

- any business interests they or any member of their immediate family have
- details of any other educational establishments that they govern
- any relationships between school staff and members of the governing body

The register must be kept up to date with notification of changes and through annual review of entries, to make the register available for inspection by governors, staff and parents, and the local authority and to publish the register, for example on a publicly accessible website.

2.15. Purchasing, tendering and contracting requirements

Schools must follow the requirements contained in the Scheme of Financial Management for Schools in respect of purchasing, tendering and contracting matters. This includes a requirement to assess, where relevant, the health and safety competence of contractors, taking account of the Authority's policies and procedures.

Whilst the Scheme of Financial Management for Schools includes advice on Best Financial Practice it does not require them:

- to do anything incompatible with any of the provisions of the scheme or any statutory provision
- to seek local authority officer countersignature for any contracts for goods or services for a value below £60,000 in any one year
- to select suppliers only from an approved list
- or would permit schools to seek fewer than three tenders or quotations in respect of any contract with a value exceeding £10,000 in any one year, subject to specific listed exceptions

Schools may seek advice on a range of compliantly procured deals via [buying for schools](#).

2.16. Application of contracts to schools

Schools can opt out of contracts arranged by the Authority except where they have agreed in writing to the terms and conditions of the contract in which cases they are bound into the contract for its duration. In some cases a contract might contain clauses allowing variation of its terms and conditions.

Governing bodies are empowered under Paragraph 3 of Schedule 10 of [the Act](#) to enter into contracts with other organisations. In most cases they do so as agent of the Authority which is legally the owner of the funds included in the budget share.

Contracts may also be made by the governing body when it has clear statutory obligations, for example, contracts made by aided or foundation schools for the employment of staff.

2.17. Central funds and earmarking

The Authority may make resources available to schools from central funds or Authority funds as allocations which are additional to and separate from the schools budget share. In the case of grants this may be a requirement specified by the Secretary of State or other grant making body.

Such additional allocations will be subject to terms and conditions setting out the purpose or purposes for which funds may be used, and the accounting requirements which must be followed. Any such allocation must be spent only on the purposes for which it was given, and within the period over which schools are allowed to use the funds. Where earmarked funds are not spent in the period for which they were given, the balance must be returned to the Authority. The Authority will, when necessary, return the funds to the grant making body.

These conditions do not preclude virement of funds between any purposes for which the allocation can validly be spent.

2.18. Spending for the purposes of the school

Section 50(3) of [the Act](#) permits governing bodies to spend budget shares for the purposes of the school. "Purposes of the school" is defined as being for the education of the school's pupils and the operation and management of the school. Under section 50(3)(b) of [the Act](#), the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur, and these include services for pupils from other maintained schools or academies. Amounts spent by governing bodies on community facilities under S.27 of the [Education Act 2002](#) will be treated as spent for the purposes of the school from April 2011.

Governing bodies may not spend any part of their budget share on activities or items which fall outside the above definitions. This general restriction does not apply to any earmarked funds as described in paragraph 2.17.

2.19. Capital spending from budget shares

Governing bodies may use their budget share to meet the cost of capital expenditure on the school premises. This includes expenditure by the governing body of a voluntary aided school on works which are their responsibility under paragraph 3 of Schedule 3 of [the Act](#).

Where the premises are owned by the Authority, or the school has voluntary controlled status, the governing body must notify and take into account any advice from the Authority as to the merits of the proposed expenditure if it exceeds £15,000. The governing body must seek the consent of the Authority to the proposed works; however such consent will be withheld only on health or safety grounds. Detailed procedures are set out in the Scheme of Financial Management for Schools.

2.20. Schools Financial Value Standard

All local authority maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at what time in the year they wish to complete the form.

Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.

All maintained schools with a delegated budget must submit the return to the local authority as per the specified deadline which will be notified annually.

For the financial year 2023 to 2024, schools should submit their SFVS to their local authority no later than 31 March 2024.

Local authorities should submit their assurance statement to DfE within 6 weeks, no later than 31 May 2024.

2.21. Notice of Concern

The local authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Chief Finance Officer and the Director of Children's Services, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the authority or the school.

Such a notice will set out the reasons and evidence for it being made and may place on the governing body restrictions, limitations or prohibitions in relation to the management of funds delegated to it.

These may include:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school
- insisting that an appropriately trained or qualified person chairs the finance committee of the governing body
- placing more stringent restrictions or conditions on the day-to-day financial management of a school than the scheme requires for all schools, such as the provision of monthly accounts to the local authority
- insisting on regular financial monitoring meetings at the school attended by local authority officers
- requiring a governing body to buy into a local authority's financial management systems

- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share; for example, by requiring a school to submit income projections, financial monitoring reports on such activities, or both

The notice will clearly state what these requirements are and the way in which and the time by which such requirements must be complied with in order for the notice to be withdrawn. It will also state the actions that the local authority may take where the governing body does not comply with the notice.

The purpose of this provision is to enable a local authority to set out formally any concerns it has regarding the financial management of a school it maintains and require a governing body to comply with any requirements it deems necessary.

The principal criterion for issuing a notice, and determining the requirements included within it, must be to safeguard the financial position of the local authority or school.

It should not be used in place of withdrawal of financial delegation where that is the appropriate action to take; however, it may provide a way of making a governing body aware of the local authority's concerns short of withdrawing delegation and identifying the actions a governing body should take in order to improve their financial management to avoid withdrawal.

2.22. Fraud

All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets.

The governing body and head teacher must 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 must also be included in induction for new school staff and governors.

3 Instalments of the Budget Share and Banking Arrangements

The Authority has adopted the CIPFA Code of Practice for Treasury Management in Local Authorities.

For the purposes of this section Budget Shares include any place-led funding for special schools, enhanced resource bases or pupil referral units.

3.1 Bank Accounts

Schools making use of the Authority's banking arrangements are provided with a local bank account specific to the school into which any income can be paid, a local bank account specific to the school from which local payments can be made, and access to the Authority's central banking arrangements from which most payments are made either via the payroll provider or via the school accounts payable system.

3.2 Right to a separate bank account

Schools have a right, if they so choose, to operate their financial affairs through a bank account of their own choosing.

3.2.1 Approved Bankers

If schools choose to operate their own bank account then they must choose from a list of banks and building societies approved by the Authority as appropriate for the purpose of school banking. The main criteria by which banks / buildings societies will be approved for the list will be whether they appear on the Authority's panel of approved institutions for banking or investment purposes, whether they are of good financial stability, and whether the approved List offers an appropriate degree of choice for schools. Any request to move to separate banking arrangements must be made by the end of September of each year so that the new bank account can come into operation from the 1 April of the next financial year.

Budget share funds held in school bank accounts remain the property of the Authority until spent (s49(5) of [the Act](#)). Therefore where a school has such an account, the account mandate must provide that the Authority is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the Authority.

3.2.2 Frequency of and Proportion of instalments

The Authority will pay monthly instalments of the budget share into schools' bank accounts as stated within the schools corporate requirements.

Monthly instalments will be based on 12ths of the annual budget share, with high needs top-up and targeted grants funded on receipt of updated allocation information.

3.2.3 Interest

The Authority receives funds for school budget shares in 12 monthly instalments. The Authority will therefore deduct from schools budget share instalments an amount equal to the estimated interest lost by the Authority in making available the budget share in advance using the current bank base rate.

The payment of devolved or special grant will not be subject to any deduction of claw-back in respect of interest costs to the Authority (see paragraph 2.17).

In the event that an instalment of budget share is paid late, due to an error of the Authority, then interest will be added at the current bank base rate. This does not however apply to High Needs Top-Up funding which is outside of this arrangement.

3.3 Borrowing by schools

Governing bodies may borrow money (which includes the use of finance leases) only with the written permission of the Secretary of State.

The introduction of IFRS16 for local authorities from 1 April 2024 ends the distinction between operating and finance leases at maintained schools for accounting purposes. Under the Education Act 2002, all leases will be classed as borrowing and will require the Secretary of State for Education's consent.

The Secretary of State has, however, agreed to provide blanket consent to a range of the most common leasing activities, as set out in the [IFRS16 Maintained Schools Finance Lease Class Consent 2024](#). Leases not included in this Order will still require the written consent of the Secretary of State, and it remains the general position that schools will only be granted permission for other types of borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes to meet broader policy objectives.

Schools may use any scheme that the Secretary of State has said is available to schools without specific approval.

The restrictions do not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on government accounts.

These debts may not be serviced directly from the delegated budget, but schools are free to agree a charge for a service which the trustees or foundation are able to provide as a consequence of their own borrowing.

Governing bodies do not act as agents of the local authority when repaying loans.

This provision does not apply to loan schemes operated by the local authority.

3.4 Partnership Bank Accounts

In some cases it may be inappropriate for funds held by partnerships of schools to be managed through bank accounts of the authority. This would particularly apply where the provider of the funds has placed conditions on funding which require that they are identified as the owner until the funds are spent.

Where the Authority agrees that a separate bank account is necessary or expedient then it must be opened with a bank or building society on the list of approved bankers specified above (or with the bank approved by the provider of the funds).

The Authority must be provided with an audited annual statement of all accounts managed through such separate bank accounts.

3.5 Procurement Cards

All schools with a delegated budget share are encouraged to make use of procurement cards to minimise transaction costs.

Schools must not obtain or use credit cards, as these constitute borrowing, which is not permitted.

3.6 Other provisions

Any other provisions are detailed in the Scheme of Financial Management for Schools.

4 Surplus and Deficit Balances Arising in Relation to Budget Shares

4.1. *Right to carry forward surplus balances*

Schools carry forward from one financial year to the next any under-spend relative to the schools budget share for the year plus/minus any balance brought forward from the previous year. The amount of any surplus balance will be as shown in the relevant outturn statement published in accordance with directions given by the Secretary of State under s.251 of the Apprenticeships, Skills, Children and Learning Act 2009.

4.2. *Controls on surplus balances*

The implementation of a revised balance control mechanism will be kept under review and discussed with Schools Forum on an annual basis.

4.3. *Interest on surplus balances*

Interest will be calculated based on the average monthly balances held by schools. The percentage to be applied is variable.

4.4. *Obligation to carry forward deficit balances*

Schools are required to carry forward deficit balances, and deficits will be deducted from the following year's budget share. In some cases the Authority may agree to convert a deficit balance into a loan within the school loan scheme on the basis that the school has agreed with the Authority an appropriate recovery plan for the deficit.

The amount of a deficit balance will be as shown in the relevant outturn statement published in accordance with directions given by the Secretary of State under s.251 of the Apprenticeships, Skills, Children and Learning Act 2009.

4.5. *Planning for deficit budgets (Licensed Deficits)*

Schools will normally be required to plan and submit a balanced budget. However, the Chief Finance Officer and Service Director: Education will only consider approving a deficit budget where the school can demonstrate, in writing, that there are sound educational and financial reasons to do so, e.g. that the school has a rising roll and the proposed deficit can be repaid from additional funding anticipated in future years, or the school has need to replace a major item of equipment etc. The school will be required to submit a multi-year budget plan, setting out clearly its assumptions as to how the deficit will be repaid and over what period. Schools are permitted to spend earmarked grants and allocations on purposes other than reducing the approved deficit, unless, in the view of the Authority the proposed expenditure is unreasonable in the school's financial circumstances.

The repayment period for a licensed deficit may not exceed three years. The repayment period for an agreed loan will usually be three years, though in cases where the Authority deems it necessary a loan may be repaid over five years.

The amount of a licensed deficit will not exceed 5% of the school's annual budget share. Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 March of any year.

The aggregate amount of licensed school deficit budgets should not exceed 50% of the aggregated surplus balances held by schools at the 31 March preceding the financial year in question.

Where a deficit budget is licensed, any restrictions or reporting provisions imposed by the Authority will apply.

Under a licensed deficit scheme the only effect on budget and outturn statements is that in the latter, the balance goes into deficit because expenditure is at a higher level than the budget share, but this deficit reduces to zero by the end of the repayment period because the school has to constrain its expenditure to effect the repayment. No 'payment' to the school is recorded.

In circumstances where a school requires a budget share advance in order not to be overdrawn at their bank, this should be treated as a cash advance and not a loan. This will have no effect on the school's budget and outturn statements.

For further details of the licensed deficit process please see [Annex D](#).

4.6. Loan Schemes

The Authority operates a cash flow loan scheme funded from the collective balances held by schools. All maintained schools are eligible to apply for the Loan.

Schools must submit a completed Cash flow loan application form signed off by the governors.

Any agreement to make a loan under the school loan scheme will be charged interest set as the rate set by the Bank of England but it will never go below 0.1%.

4.7. Writing off deficits

The local authority cannot write off the deficit balance of any school.

If a local authority wishes to give assistance towards elimination of a deficit balance this should be through the allocation of a cash sum, from the authority's schools budget, taken from a centrally held budget specified for the purpose of expenditure on special schools and pupil referral units in financial difficulty or, in respect of mainstream maintained schools, from a de-delegated contingency budget where this has been agreed by schools forum.

4.8. *Balances of closing and replacement schools*

Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, the local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share (including any surplus carried forward from previous funding periods) of the closing school for the funding period in which it closes.

The arrangements for maintained schools converting to academies under the [Academies Act 2010](#) specify that the final balance of the predecessor school will, when agreed by the Authority, transfer to the academy whether surplus or deficit.

5. Income

5.1 *Income from lettings*

Governing bodies are empowered to approve the occasional use of school buildings and facilities for other purposes and may retain any income charged for this use. Governors must ensure that such uses are not subsidised by the school budget share and that adequate insurance arrangements are in place for the activities involved.

Where the school buildings are owned by the Authority then any regular use for other purposes (e.g. lettings) can only be agreed by the Authority as Landlord. Schools are allowed to retain income from such agreed lettings of school premises, which would otherwise accrue to the Authority, subject to alternative provisions from any joint use or Private Finance Initiative (PFI) agreements. Schools may cross subsidise lettings for community and voluntary use with income from other lettings, provided the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of education and achievement.

Income from lettings of school premises owned by the Authority must not be paid into voluntary or private funds held by the school. Schools are required to have regard to the directions issued by the Authority as to the use of school premises, as permitted under of [the Act](#) for various categories of schools. Schools will be liable for any additional costs and responsible for any arrangements associated with external use of their premises, e.g. gaining an entertainment licence if appropriate.

School premises which are not owned by the Authority do not require permission from the Authority before alternative uses are agreed by the governing body, however the owner of the buildings may impose their own requirements. In all cases the budget share must not subsidise non-school use of the premises and facilities.

5.2 *Income from fees and charges*

Schools are allowed to retain income from fees and charges except where the services being charged for are provided by the Authority from centrally retained funds. However, schools are required to have regard to any policy statements on charging produced by the Authority and must note that the law does not permit charges to be levied for education in line with the national curriculum.

5.3 *Income from fund-raising activities*

Schools retain any income generated from their fund-raising activities.

5.4 *Income from the sale of assets*

Schools are allowed to retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds. In these cases it is for the Authority to

decide whether the school should retain the proceeds or any part of the proceeds. If the asset concerned is land or buildings forming part of the school premises and owned by the Authority then the school will only be able to retain proceeds in order to fund a capital project.

N.B. The retention of proceeds of sale of premises not owned by the Authority is not a matter for this scheme.

Income from the sale of assets purchased from delegated funds, or School Budget Share, can only be spent for the purposes of the school.

5.5 *Administrative procedures for the collection of income*

Schools must follow the prescribed guidance in respect of all income that accrues to the Authority (e.g. where a school has contracted with the Council meal service). Schools must follow guidance given in the [VAT guidance](#) document when invoicing for lettings and services which lead to fees and charges.

6. The Charging Of School Budget Shares

6.1 *General provision*

The budget share of the school can be charged by the Authority, without the consent of the governing body, only in circumstances expressly permitted by this Scheme. The Authority is required to consult schools as to the intention to so charge and to notify schools when it has been done.

The Authority must charge the salaries of school based staff to school budget shares at actual cost including National Insurance, pension contributions and any other directly attributable costs.

6.2 *Circumstances in which charges may be made*

1. Where premature retirement costs have been incurred without the prior written agreement of the local authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the authority).
2. Other expenditure incurred to secure resignations where there is good reason to charge this to the school (see [Annex C](#)).
3. Awards by courts and employment tribunals against the local authority, or out of court settlements, arising from action or inaction by the governing body contrary to the authority's advice. Awards may sometimes be against the governing body directly and would fall to be met from the budget share. Where the local authority is joined with the governing body in the action and has expenditure as a result of the governing body not taking authority advice, the charging of the budget share with the authority expenditure protects the authority's position. Local authorities should ensure in framing any such advice that they have taken proper account of the role of aided school governing bodies.
4. Expenditure by the local authority in carrying out health and safety work or capital expenditure for which the authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.
5. Expenditure by the local authority incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the authority or the school has voluntary controlled status.
6. Expenditure incurred by the local authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the authority. The local authority itself needs to consider whether it has an insurable interest in any particular case.
7. Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the local authority.
8. Recovery of penalties imposed on the local authority by His Majesty's Revenue and Customs (HMRC), Teachers' Pensions, the Environment Agency or other regulatory authorities as a result of school negligence.

9. Correction of local authority errors in calculating charges to a budget share; for example, pension deductions. Before applying any such provision, the local authority should consider whether it is reasonable to do so. If the error dates back several years it may be questionable whether such charging is reasonable.
10. Additional transport costs incurred by the local authority arising from decisions by the governing body on the length of the school day, or failure to notify the authority of non-pupil days resulting in unnecessary transport costs.
11. Legal costs which are incurred by the local authority because the governing body did not accept the advice of the authority.
12. Costs of necessary health and safety training for staff employed by the local authority, where funding for training had been delegated but the necessary training not carried out.
13. Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
14. Cost of work done in respect of teacher pension remittance and records for schools using non-local authority payroll contractors, the charge to be the minimum needed to meet the cost of the authority's compliance with its statutory obligations.
15. Costs incurred by the local authority in securing provision specified in an education, health and care (EHC) plan where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN or specific funding for a pupil with high needs.
16. Costs incurred by the local authority due to submission by the school of incorrect data.
17. Recovery of amounts spent from specific grants on ineligible purposes.
18. Costs incurred by the local authority as a result of the governing body being in breach of the terms of a contract.
19. Costs incurred by the local authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.
20. Costs incurred by the local authority in administering admissions appeals, where the local authority is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.
21. The cost of an undisputed invoice for energy where a school has entered into an agreement with the Secretary of State for the supply of energy and failed to pay such an invoice (Regulation 23 of the regulations).

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For the avoidance of doubt, the local authority may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase representatives of Schools Forum.

7. Taxation

7.1 *Value Added Tax*

Schools are required to follow procedures laid out in the [VAT guidance](#) which provides guidance on the treatment of expenditure and income that may incur an element of VAT. Following these procedures and Financial Instructions will also enable schools to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity. Amounts so reclaimed will be passed back to the school.

7.2 *Construction Industry Scheme (CIS)*

Schools are required to abide by any Financial Instructions and procedures issued by the Authority in connection with the [Construction Industry Scheme](#) as it applies to schools.

8. The Provision of Services and Facilities by the Authority

8.1 *Provision of Services from Centrally Retained Budgets*

The Authority is required to determine the basis on which services including Premature Retirement Compensation and redundancy payments from centrally retained funds will be provided to schools.

The Authority must not discriminate in provision of services on the basis of categories of schools except where funding has been delegated to some schools only, or such discrimination is justified by differences in the statutory duties of different categories of schools.

8.2 *Timescales for the Provision of Services Bought Back from the Local Authority Using Delegated Budgets*

The maximum period for any agreement with a school buying services or facilities from the Authority is three years from the inception of the scheme or the date of the agreement whichever is the later. Subsequent agreements relating to the same services may have a maximum period of five years.

Premises and liability insurances are specifically excluded from this requirement, because these limitations may be impracticable for insurance purposes.

8.3 *Packaging*

The Authority is required to provide any service for which funding has been delegated, and the Authority is offering the service on a buyback basis, in a way which does not unreasonably restrict schools' freedom of choice among the services available. Where practicable, this will include provision on a service by service basis as well as in packages of services.

8.4 Service Level Agreements

Where services or facilities are provided under a service level agreement - whether free or on a buy back basis - the terms of any such agreement starting on or after the inception of the scheme will be reviewed at least every three years if the agreement lasts longer than that.

Where services are provided on an ad hoc basis they may be charged for at a different rate than if provided on the basis of an extended agreement.

Premises and liability insurances are specifically excluded from this requirement, because these limitations may be impracticable for insurance purposes.

8.5 Teachers' Pensions

The governing body must ensure that the contracted payroll services have arranged for the deduction and remittance of teachers pension contributions and where applicable Additional Voluntary Contributions in respect of any teacher(s) who have not made an election against membership of the Teachers' pension scheme.

They must ensure that such arrangement or agreement requires that service provider to supply the salary, service and pensions data to the Authority, which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required. Schools must meet any consequential costs from the budget share.

A governing body of any maintained school which directly administers its payroll must similarly supply salary, service and pensions data to the Authority in accordance with the Authority's requirements, and must meet any consequential costs from the budget share.

9. Insurance

9.1 Insurance cover

Funds for insurance are delegated to schools, and as such schools are required to demonstrate that cover relevant to an authority's insurable interests, under a policy arranged by the governing body, is at least as good as the relevant minimum cover arranged by the authority if the authority makes such arrangements, either paid for from central funds or from contributions from schools' delegated budgets.

The local authority must have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such a requirement, rather than applying an arbitrary minimum level of cover for all schools. Instead of taking out insurance, a school may join the Secretary of State's Risk Protection Arrangement (RPA) for risks that are covered by the RPA.

10. Miscellaneous

10.1 *Right of Access to Information*

Governing bodies are required to supply all financial and other information which might reasonably be required to enable the Authority to satisfy itself as to the school's management of its delegated budget share, or the use made of any central expenditure (e.g. earmarked funds) by the school.

There are also statutory rights of access to financial information vested in the Chief Finance Officer, the Authority's External Auditors, HM Revenue and Customs Inspectors and other statutory officers.

10.2 *Liability of Governors*

The governing body of a school is a corporate body, and because of the terms of S.50 (7) Of [the Act](#), governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

An example of behaviour which is not in good faith is the carrying out of fraudulent acts. Breaches of the scheme are not in themselves failures to act in good faith; neither is rejection of local authority advice as to financial management.

10.3 *Governors' Expenses*

The Authority may provide to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses.

Under section 50 of [the Act](#) only allowances in respect of purposes specified under section 19 of the Education Act 2002 may be paid to governors from a school's delegated budget share. In essence, these are limited to the reimbursement of costs wholly and necessarily incurred in the course of governors' duties. Schools are forbidden from paying any other allowances and from payment of expenses duplicating those paid by the Secretary of State to additional governors appointed by him/her to schools under special measures.

10.4 *Responsibility for Legal Costs*

The early identification of potential conflicts of interest and close liaison with the Authority should assist all parties. Any legal costs incurred by the governing body may be charged to the school's budget share, including costs awarded against the Authority, unless the governing body acts in accordance with the advice of the Authority. The outline procedure is:

- where a conflict arises or is likely to arise (for example, in a dispute between a school and the Authority itself) then the Director of Education Services should be informed;
- the school governors may then be advised to obtain independent advice;
- the school will be responsible for the costs of obtaining this advice;
- the Authority may charge an individual school's budget where awards have been made

by courts and Industrial Tribunals against the Authority arising from action or inaction by the governing body contrary to the Authority's advice.

10.5 Health and Safety

In spending the school's budget share governing bodies must have due regard to health and safety, and the Authority's Health and Safety policies, practice standards and client requirements in the management of the budget share. Under Section 39(3) of [the Act](#), the Authority may issue directions to the governing body and Headteacher of a community, community special or voluntary controlled school on health and safety matters; these directions are enforceable, so far as governing bodies are concerned, under Section 497 of the [Education Act 1996](#), if not complied with.

10.6 Right of Attendance for Chief Finance Officer

The Chief Finance Officer, or his/her representative, is permitted to attend meetings of the governing body at which any agenda items are relevant to the exercise of his/her responsibilities. Prior notice of such attendance will be given unless it is impractical to do so.

10.7 Whistle Blowing

Schools are required to abide by the Authority's procedure to be followed by persons working at a school or school governors who wish to complain about financial management or financial propriety at the school and as to how such complaints are to be dealt with.

10.8 Child Protection

Schools are required to release staff to attend child protection case conferences and other related events. Funding for this is delegated to schools through the schools Dedicated Schools Grant formula funding.

10.9 Special Educational Needs

Schools must use their best endeavours, in the spending of their budget share, to secure the special educational needs of all their pupils.

10.10 Interest on Late Payments

The terms of this Scheme do not affect the statutory requirements concerning payment periods. Schools are not exempt from the duty to pay on time or payment of interest resulting from late payment.

10.11 Redundancy and early retirement costs

The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. See [Annex C](#).

11. Responsibility for Repairs and Maintenance

11.1 *Repairs and Maintenance*

For Primary, including Nursery and Special Maintained Schools, from 1 April 2016 the local authority delegates all funding for repairs and maintenance to all schools. Delegation to individual schools puts the responsibility for these works on the school previously identified in this document along with items such as health and safety testing and servicing of electrical wiring and emergency lighting systems, fire alarm systems and heating systems and appliances, as well as kitchen maintenance and pest control (this list is not exhaustive).

For All Maintained Schools: All costs relating to the repair and maintenance of ICT equipment must be met from the school budget share (funded from Dedicated Schools Grant), while replacement may be met from school budget share, Devolved Capital or a combination of both.

Capital expenditure, met through funding streams other than the Dedicated Schools Grant (DSG) and Devolved Formula Capital is retained by the local authority and is available to all maintained schools. Allocations will be made in accordance to the local authority's asset management priorities, these priorities may include categories of work normally met in full or in part from schools' revenue budget. Expenditure may be treated as capital only if it fits the definition of capital used by the local authority for financial accounting purposes which is in line with the CIPFA Code of Practice on Local Authority Accounting.

11.2 *De Minimus Limit*

A de minimus level of £10,000 for capital expenditure other than that funded by DFC. This applies for new building constructions, vehicles and plant and equipment (including ICT).

Expenditure at or above the de minimus level should be treated as capital expenditure. Expenditure below the de minimus level must not be treated as capital expenditure and must therefore be met from the delegated revenue budget share or other external funding sources and reported through revenue.

There is no de minimus limit for Devolved Formula Capital. All DFC funded expenditure should be treated as capital. Devolved Formula Capital must be used in line with the DFC guidance which states its purpose is to maintain and improve their buildings and other facilities, including ICT or can be pooled across the Authority with the schools' agreement.

12. Community Facilities Powers

12.1 *Introduction*

Schools which choose to exercise the power conferred by section 27 (1) of the Education Act 2002 to provide community facilities will be subject to controls. Regulations made under section 28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power.

Section 88 of the Children and Families Act 2014, has removed the requirements in section 28(4) and section 28(5) of the Education Act 2002 for maintained schools in England. Under section 28(4) a school was obliged to consult its local authority and under section 28(5) a school must have regard to advice or guidance from the Secretary of State or their local authority when offering this type of provision.

Under section 28(1), the main limitations and restrictions on the power will be those contained in the maintaining local authority's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998 as amended by paragraph 2 of Schedule 3 to the Education Act 2002.

This amendment extended the coverage of schemes to include the exercise of the powers of governing bodies to provide community facilities.

Schools are therefore subject to prohibitions, restrictions and limitations in the scheme for financing schools. This part of the scheme does not extend to joint-use agreements, transfer of control agreements, or agreements between the local authority and schools to secure the provision of adult and community learning.

12.2 *Consultation with the local authority: financial aspects*

Changes made by the Children and Families Act 2014 mean that schools no longer need to consult the local authority when establishing community facilities under Section 27 of the Education Act 2002. Nor do they have to have regard to advice given to them by their local authority.

However, as public bodies, they are expected to act reasonably, and this includes consulting those affected by decisions that they make.

12.3 *Funding Agreements: local authority powers*

The provision of community facilities in many schools may be dependent on the conclusion of a funding agreement with a third party which will either be supplying funding or supplying funding and taking part in the provision. A very wide range of bodies and organisations are potentially involved. Where such an agreement is being considered, the governing body must give notice to the Authority at the earliest opportunity, but no later than a minimum of six weeks, in order for the Authority to give comment. If an agreement has or is to be concluded against the wishes of the Authority, or concluded without informing the Authority, which in the view of the Authority is seriously prejudicial to the

interests of the school or the Authority, suspension of the Governing Body's right to a delegated budget may be considered. Additionally, where the Governing Body are not managing the expenditure used in the exercise of their community facilities power in a satisfactory manner, delegation may be suspended.

12.4 Supply of Financial Information

Schools which exercise the community facilities power are to provide the Authority with a summary statement in a form determined by the Authority, showing the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis for the next six months. The Authority, on giving notice to the school that it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power will require such financial statements to be supplied every three months.

Schedule 3 of the [2002 Act](#) inserts a new provision into Schedule 15 of [the Act](#) to make mismanagement of funds received for community facilities a basis for the suspension of the right to delegation of the budget share.

12.5 Audit

The school must provide access to the school's records connected with the exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure. In concluding funding agreements with other persons pursuant to the exercise of the community facilities power, such agreements should contain adequate provision for access by the Authority to the records and other property of those persons held on the school premises in order for the Authority to satisfy itself as to the propriety of expenditure on the facilities in question.

12.6 Treatment of Income and Surpluses

Schools shall retain all income derived from community facilities except where otherwise agreed with a funding provider, whether that be the Authority or some other person. The school can carry such retained income over from one financial year to the next as a community facilities surplus, or, subject to the agreement of the Authority, transfer all or part of it to the budget share balance.

If the Authority ceases to maintain the school, any accumulated retained income obtained from the exercise of community facilities power reverts to the Authority unless agreed otherwise with a funding provider.

12.7 Health & Safety Matters

In exercising community facilities power the school must comply with the Authority's [Health & Safety and Wellbeing policies and procedures](#) and [Model School Health, Safety and Wellbeing Policy](#).

12.8 Insurance

It is the responsibility of the governing body to make adequate arrangements for insurance against risks arising from the exercise of community facilities power. Such insurance must not be funded from the school budget share. The Authority is empowered to undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school.

School proposing to provide community facilities should, as an integral part of its plans, undertake an assessment of the insurance implications and costs, seeking professional advice if necessary. Advice on insurance can be sought from the Authority's Insurance Officer.

Instead of taking out insurance, a school may join the RPA for risks that are covered by the RPA.

12.9 Taxation

Schools may only make use of the Authority's VAT reclaim facility for expenditure on community facilities when this expenditure is funded from funds provided by the Authority. The facility for local authorities to reclaim VAT can be used by schools in spending their budget shares, which by virtue of s.49(5) of [the Act](#) are the property of the Authority. This facility also applies to funding given by the Authority to schools outside the budget share. However, it cannot apply to expenditure from funds obtained direct by schools from private (or indeed, central government sources).

Schools are reminded that if any member of staff employed by the school or Authority in connection with community facilities at the school is paid from funds held in the school's own bank account, the school is likely to be held liable for payment of income tax and national insurance in line with Inland Revenue rules.

Advice on taxation can be sought from the [VAT guidance](#) document.

12.10 Banking

There is no requirement for schools to maintain a separate bank account for community facilities. However, adequate internal accounting controls must be in place to ensure separation of funds.

Schools may not borrow without the written consent of the Secretary of State.

Annex A – Schools Covered by the Scheme

Primary

8733373	Abbots Ripton CofE Primary School
8733061	Alconbury CofE Primary School
8732083	Alderman Payne Primary School
8732118	Arbury Primary School
8733067	Barnabas Oley CofE Primary School
8733001	Barrington CofE VC Primary School
8733301	Barton CofE VA Primary School
8732002	Bassingbourn Primary School
8732082	Beaupre Community Primary School
8732060	Benwick Primary School
8732312	Bewick Bridge Community Primary School
8733942	Brampton Village Primary School
8733081	Brington CofE Primary School
8732327	Burwell Village College (Primary)
8732452	Bushmead Primary School
8732004	Caldecote Primary School
8733008	Castle Camps Church of England (Controlled) Primary School
8733050	Cherry Hinton Church of England Voluntary Controlled Primary School
8733009	Cheveley CofE Primary School
8732091	Clarkson Infants School
8732065	Coates Primary School
8732119	Colville Primary School
8733011	Coton Church of England (Voluntary Controlled) Primary School
8732006	Cottenham Primary School
8733012	Dry Drayton CofE (C) Primary School
8733041	Duxford Church of England Community Primary School
8732246	Eastfield Infant and Nursery School
8733308	Elsworth CofE VA Primary School
8732444	Ely St John's Community Primary School
8733074	Eynesbury CofE C Primary School
8732336	Fawcett Primary School
8732010	Fen Drayton Primary School
8732208	Fenstanton and Hilton Primary School
8733065	Folksworth CofE Primary School
8733014	Fordham CofE Primary School
8732321	Fourfields Community Primary School
8732011	Fowlmere Primary School
8732012	Foxton Primary School
8732068	Friday Bridge Community Primary School
8732328	Fulbourn Primary School
8732016	Great Abington Primary School
8733310	Great and Little Shelford CofE (Aided) Primary School

8733068	Great Paxton CofE Primary School
8732315	Hardwick and Cambourne Community Primary School
8733035	Haslingfield Endowed Primary School
8732205	Hauxton Primary School
8732211	Hemingford Grey Primary School
8733071	Holywell CofE Primary School
8732212	Houghton Primary School
8733945	Huntingdon Primary School
8733022	Isleham Church of England Primary School
8732442	Kettlefields Primary School
8732331	Kinderley Primary School
8732446	Kings Hedges Primary School
8733317	Linton CofE Infant School
8732066	Lionel Walden Primary School
8732293	Little Paxton Primary School
8732074	Littleport Community Primary School
8732075	Manea Community Primary School
8732121	Mayfield Primary School
8732028	Melbourn Primary School
8732029	Meldreth Primary School
8732059	Meridian Primary School
8733386	Milton Road Primary School
8732449	Monkfield Park Primary School
8732107	Morley Memorial Primary School
8732109	Newnham Croft Primary School
8733390	Orchard Park Community Primary School
8732031	Over Primary School
8733350	Park Street CofE Primary School
8732033	Pendragon Community Primary School
8733331	Petersfield CofE Aided Primary School
8732239	Priory Junior School
8732219	Priory Park Infant School & Playgroup
8732333	Queen Edith Primary School
8733946	Queen Emma Primary School
8732453	Ridgefield Primary School
8732070	Robert Arkenstall Primary School
8732255	Sawtry Infants' School
8732115	Shirley Community Primary School
8732329	Spring Meadow Infant School
8733384	St Anne's CofE Primary School
8735200	St Helen's Primary School
8732317	St Matthew's Primary School
8733356	St Pauls CofE VA Primary School
8733358	St Philip's CofE Aided Primary School
8733029	Steeple Morden CofE VC Primary School

8732084	Stretham Community Primary School
8732443	Stukeley Meadows Primary School
8733052	Sutton CofE VC Primary School
8732046	Swavesey Primary School
8733325	Teversham CofE VA Primary School
8732217	The Ashbeach Primary School
8733943	The Bellbird Primary School
8733368	The Elton CofE Primary School of the Foundation of Frances and Jane Proby
8732123	The Grove Primary School
8732260	The Newton Community Primary School
8733058	The Rackham Church of England Primary School
8732335	The Spinney Primary School
8733389	The Vine Inter-Church Primary School
8732001	Thorndown Primary School
8732064	Townley Primary School
8732000	Trumpington Meadows Primary School
8732048	Waterbeach Community Primary School
8732232	Westfield Junior School
8733392	Wheatfields Primary School
8733054	Wilburton CofE Primary School
8733032	William Westley Church of England VC Primary School
8732054	Willingham Primary School
8732240	Wyton on the Hill Community Primary School
8732254	Yaxley Infant School

Nursery

8731005	Brunswick Nursery School
8731006	Colleges Nursery School
8731003	Histon Early Years Centre
8731002	Homerton Early Years Centre
8731007	Huntingdon Nursery School
8731000	King's Hedges Nursery School
8731001	The Fields Nursery School

Special

8737026	Castle School, Cambridge
8737025	Granta School
8737023	Samuel Pepys School

Annex B – Scheme of Financial Management for Schools (Financial Regulations)

**Under Section 151 Local Government Act 1972 and
Section 114 Local Government Finance Act 1988 and
Section 48 and 49 School Standards and Framework Act 1998**

1.0 General Context

- 1.1 Under the School Standards and Framework Act 1998 all schools are required to have a set of Financial Regulations. Schools can either draft their own regulations or adopt those contained in this document, but these regulations form the minimum standard, and school's own regulations must be no less rigorous than these.
- 1.1 These regulations are required by law and by the Council's Constitution (Part 4.5 - [Financial and Contract Procedure Rules](#) which is contained within Part 4 – Rules of Procedure). They detail the responsibility of officers in ensuring the proper administration of the Council's financial affairs.
- 1.2 The Section 151 Officer is designated under the Section 151 of the Local Government Act 1972 to be responsible for the proper administration of the Council's financial affairs. They are also responsible under Section 114 of the Local Government Finance Act 1988 to report formally any instance of unlawful expenditure (potential or actual) to the authority's members and external auditors.
- 1.3 These Financial Regulations for Schools should be read in conjunction with the Scheme of Financing Schools.

2.0 Budgetary Procedures

2.1 Budget Allocations

- 2.1.1 Budget allocations for the following financial year will be confirmed to mainstream maintained schools by 28th February following approval of the local funding formula and submission of the Authority Proforma Tool (APT) to the Education and Skills Funding Agency (ESFA).
- 2.1.2 Initial budget allocations for maintained nursery and special schools will be confirmed by 31st March.
- 2.1.3 Each Governing body (or committee), in consultation with the head teacher, must approve an annual budget. The approved budget must be submitted to the Authority by the annual deadline notified to schools.

2.2 Earmarked Funds

- 2.2.1 The Authority may make devolved allocations to the school for specific activities or responsibilities outside the original budget. These sums will be 'earmarked' for those purposes, and you may not assimilate them into the school's budget share. The Authority may require any unspent allocations to revert to us.

2.3 Contingency Fund

- 2.3.1 As part of the de-delegations approved annually by Schools Forum a small amount of funding is held as a contingency for schools to draw upon if unforeseen/exceptional needs are experienced. Schools wishing to access this funding should refer to the guidance published at [Cambridgeshire Absence Schemes and Contingencies - Learn Together \(cambslearntogether.co.uk\)](https://cambslearntogether.co.uk)

2.4 How Schools Receive their Budget Share

- 2.4.1 The budget share is credited directly into school bank accounts each month, as per the funding statement using a timetable published at the beginning of each financial year (contained within the Corporate Requirements document).

3.0 Financial Control - General

- 3.1 The Governing Body must immediately inform the Authority of any matters arising, decision or course of action or proposed decision, proposed course of action or entry of an item of account which may give rise to a report under Section 114 of the 1988 Act.
- 3.2 The Governing Body shall ensure that the Scheme for Financing Schools and Financial Regulations are observed throughout the school.
- 3.3 The Governing Body shall:
- (a) ensure that the allocation of resources promotes the aims and values of the school;
 - (b) safeguard the spending of public money from waste or misuse;
 - (c) comply with any statutory obligations or requirements of the Local Authority in the management of school finances;
 - (d) annually set a balanced budget, and where this is not possible to apply to the Authority for a licensed deficit budget, including submitting a recovery plan. The Authority cannot write off a school deficit.
- 3.4 The Governing Body is responsible for the control of staff and the security,

custody and control of all other resources including plant, buildings (except where they are the responsibility of the Authority), materials, cash and stores appertaining to the school.

- 3.5 The Governing Body is responsible for the overall finances of the school. Day to day financial and management responsibilities must be aligned so that head teachers are responsible for the financial consequences of their decisions. Budgets must be assigned to one authorised budget holder only.
- 3.6 The Governing Body must report to parents annually on its stewardship of the school's finances. This should be in the form of a governance statement regarding how it has fulfilled its responsibilities – particularly in relation to its core functions, including:
- the governance arrangements that are in place, including the remit of any committees;
 - the attendance record of individual governors at board and committee meetings; and
 - an assessment of the effectiveness and impact of the board and any committees with details of any particular challenges that have arisen.

4.0 Financial Systems / Records

- 4.1 The Section 151 Officer is responsible for the operation of the Authority's accounting system, the form of accounts and the supporting financial records.
- 4.2 All schools are required to keep a commitment accounting system. This must be a locally held system. Schools can choose any system as long as it meets Corporate requirements. Schools are required to maintain suitable back-up arrangements for the local system.
- 4.3 The ERP Gold system (the Authority's main finance system) shall be the prime system upon which final assessments of financial performance shall be made in conjunction with the school's approved financial statements and Consistent Financial Reporting Return.
- 4.4 Schools must submit financial returns in accordance with required reporting procedures such as corporate requirements and closedown documents published annually. The Authority may request additional reports or a change in reporting pattern as a result of concerns with a school's financial management.
- 4.5 All documents, invoices etc pertaining to transactions on local accounting systems must be retained in accordance with the requirements set out in [Annex E](#) (Retention of Financial Records).

5.0 Banking / Cash Management

- 5.1 The Section 151 Officer has delegated responsibilities for the treasury management function (management of debt and the borrowing and investment of money) and arranging and operating the Council's banking facilities. This means that no other officers are empowered to open any kind of bank account, to invest or borrow any money, or to enter into any credit arrangement. The exception on bank accounts is where schools are given permission to open accounts in accordance with the Council's Scheme of Financial Management for Schools.
- 5.2 All of the Council's bank accounts should be maintained in accordance with the Scheme of Operation approved by the Section 151 Officer.
- 5.3 The County Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice, as described in Section 4 of that code.

Accordingly, the Council will create and maintain:

- (a) A treasury management policy statement, stating the policies and objectives of its treasury management activities.
- (b) Suitable treasury management practices, setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its treasury management practices.

The County Council delegates responsibility for the implementation and monitoring of administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's policy statement and treasury management practices, and CIPFA's Standard of Professional Practice on Treasury Management.

- 5.3 Schools must use a local bank account. Schools can choose to bank using a sub-account of the Authority's bank or with any other approved bank.
- 5.4 Schools must comply with the reporting and operating requirements specified by Schools Finance. If, in the judgement of the Section 151 Officer, a school fails to carry out the processes and requirements of running a bank account or reporting satisfactorily, ultimately a Notice of Concern may be issued, or in extreme cases withdrawal of the delegated budget as per the Scheme for Financing Schools.

6.0 Financial Control - Capital

- 6.1 Authority for expenditure of devolved capital funding is conferred on the Governing Body insofar as it relates to a project identified within the capital programme as agreed by the Authority (normally via the School Asset Management Plan).
- 6.2 Schools are not permitted to undertake a capital project (a project costing over £20,000 to acquire or provide land, buildings or ICT hardware) without notifying the Executive Director: Children, Education and Families, and schools have no power to borrow externally to meet capital expenditure requirements.
- 6.3 The levels of authority within schools for capital expenditure shall be those defined in the school's own financial regulations, but in any event the levels shall be no greater than those specified in the [Procurement Guide 2022 \(cambslearn.together.co.uk\)](https://www.cambslearn.together.co.uk)
- 6.4 Energy schemes, which relate to capital investment projects that would see future savings from green energy efficiency generation, but are repayable over several years, should be entered into with caution. Not all schemes are government approved. Certain schemes are deemed as not borrowing, and can only be entered into after checking the finer detail of the contract – schools must speak to the schools procurement team at the earliest opportunity.
- 6.5 Schools should ensure they have the funding to carry out capital expenditure prior to ordering the equipment or works.
- 6.6 Schools must seek permission from the Authority to capitalise any revenue funds (even if planned in budget prep), prior to **any** order being placed for works/equipment etc.

7.0 Financial Control - Revenue

- 7.1 Authority for expenditure of delegated revenue funding is conferred on the Governing Body insofar as it relates to spending for the purpose of the school as outlined in the Scheme for Financing Schools or additional purposes as prescribed by the Secretary of State under Section 49.
- 7.2 Schools are able to use some of their budget share to meet the cost of capital expenditure on their premises. This is known as 'capitalising revenue' where revenue is transferred to capital. In all cases where revenue is to be capitalised, schools must ensure:
 - a) That using revenue will not cause a revenue deficit in the next two years;
 - b) That all available capital funds have already been exhausted.

- c) That they seek permission from the Authority, prior to ordering **any** works or equipment.

If donations are due from external sources e.g. Parent Teacher Associations etc, to cover or contribute towards capital items or works, then the donations must be receipted first, or within the same financial year.

If the premises are owned by the Authority, or the school has voluntary controlled status, the governing body must seek the consent of the Authority to the proposed works. The consent of the Authority would only be withheld if there were grounds in respect to Health and Safety.

- 7.3 The Governing Body may choose to delegate responsibility for some levels of expenditure, as defined in the school's own financial regulations, but these levels shall be no greater than those specified in the Councils [Procurement Guide 2022 \(cambslearn.together.co.uk\)](https://www.cambslearn.together.co.uk/ProcurementGuide2022)

- 7.4 Schools may vire money from one budget heading to another within their delegated budget, but not at the expense of statutory duties. The Governing Body should decide the appropriate levels of delegated responsibility to the head teacher for virements. This should be recorded either in the schools financial regulations or in Governing Body minutes.

No virement responsibility levels are specified in the Scheme, other than the overall limit of the delegated budget.

- 7.5 Schools are required to maintain up-to-date budgets and profiles for monthly reporting purposes. When additional funding is received schools should adjust the budget and profiles to reflect the increase.
- 7.6 Schools are not permitted to obtain any loan or finance lease, other than that provided by the Authority, without the permission of the Secretary of State. Schools can enter into operating leases where over the period of the lease the school pays 90% of the cost of the equipment and ownership does not automatically transfer to the school at the end of the agreement.
- 7.7 If a deficit materialises within community facilities, and there is insufficient prior years surplus funds to cover the deficit, then the school must bring the community facility back into balance before applying any schools budget i.e. the community facility must be sustainable going forward in its own right.

8.0 Voluntary and Non Public Funds

- 8.1 Voluntary funds must be accounted for separately from the public funding and audited annually by an auditor who is completely independent of the school or an Independent Assessor. A copy of the auditor's certificate must be sent to Schools Finance.
- 8.2 It is recommended that where the voluntary fund exceeds £20,000 the annual audit should be carried out by someone with a formal accountancy / audit

qualification.

- 8.3 Any voluntary fund with an income or expenditure greater than £5,000 must be registered with the Charity Commission.
- 8.4 Any voluntary fund with a taxable income or expenditure greater than the limit specified by HM Customs and Excise (currently £85,000) must be registered for VAT.
- 8.5 A copy of the annual accounts of any trading units controlled by the school must be sent to Schools Finance.
- 8.6 Non-public funds / voluntary funds accounts should only be operated where the amount is significant e.g. endowment, and conditions exist for its use e.g. only to be used on building a new classroom. Where this is the case the governing body can keep it in a separate bank account, but it will still need to be recorded in the school accounts, and financial system. Otherwise any donation would fall as public funds and need to be receipted into the schools main bank account and be shown as part of its main revenue funds and income.
- 8.7 PTA and school bank accounts should be kept separate to increase transparency and reduce additional VAT and audit requirements.

9.0 Prompt Payment of Invoices

- 9.1 Under the Late Payments of Commercial Debt (Interest) Act 1998, interest may be payable to suppliers where invoices are not paid within 30 days of receipt or as specified in the contract terms. Schools are responsible for date stamping invoices upon receipt and ensuring prompt payment of their invoices. Any charges incurred as a result of the school delaying payment shall be borne by the school.
- 9.2 Construction Industry Tax Scheme (CIS) reporting - where a contract is between the school/governing body and a subcontractor (i.e. not with the Local Authority) CIS reporting is not required. This means that schools can pay the subcontractor direct and do not have to report these invoices via the Tax Officer. Where there are major capital works the contract is usually (but not in all cases) between the subcontractor and the Local Authority. Where this is the case invoices are paid by the Local Authority and will be reported for CIS purposes.

10.0 Debt Management

- 10.1 The Debt Policy is issued by the Section 151 Officer for Cambridgeshire County Council in accordance with the Council Constitution. They are corporate procedures and will be followed by all parties involved in the recovery of monies owed to the County Council.

- 10.2 The Governing Body is responsible for the collection of income and the management of debt relating to the school, and must adopt any procedures and targets set by the Authority for the reduction of outstanding debt.
- 10.3 All schools should have an escalation procedure to ensure effective debt management, similar to that shown in [Annex F](#).
- 10.4 The Governing Body may write off debts to a limit of £500. For amounts greater than this, approval is required from the Section 151 Officer or delegated deputies.
- 10.5 When there are disputes relating to debts internal to the Authority, these shall be resolved by the Section 151 Officer, after the debt has been outstanding for more than six months.

11.0 Audit

- 11.1 To comply with the Accounts and Audit Regulations (2015) the Council must ensure that it has a sound system of internal control that helps it perform its functions and achieve its aims and objectives; ensures the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.
- 11.2 Under the Scheme of Delegation, the Head of Internal Audit shall:
 - (a) Maintain an adequate and effective internal audit of all the activities of the Council.
 - (b) Have authority to visit all services, establishments and Trading Units of the Council and have a right of access, at all times, to such documents, other records, computer systems, and Council property as appears to them necessary for the purpose of the audit.
 - (c) Be entitled to require from any officer such information and explanation as they think necessary to satisfy themselves on any matter.
- 11.3 The Governing Body shall bring immediately to the notice of the Head of Internal Audit any suspected or apparent financial irregularity affecting the School or the Authority. If the irregularity is confirmed, the Head of Internal Audit, shall be advised.
- 11.4 Internal Audit shall examine arrangements to ensure standards of internal control are adequate.
- 11.5 Attention is drawn to the statutory role of the Council's external auditors, which involves the same rights of access and entitlement as those set out for Internal Audit in Regulation 11.2.

12.0 Risk Management and Insurance

- 12.1 The Head of Internal Audit, has delegated powers to establish and maintain a systematic strategy, framework and processes for managing risk. Part of the strategy is to identify the risks facing the organisation and analyse what types of protection are required to manage adverse risks.
- 12.2 Effecting insurance is one element of that strategy for the limited range of risks, including damage to assets and potential civil liability, which can be underwritten by insurance policies and give a measure of financial protection.
- 12.3 This strategy does not obviate the need for each Governing Body to manage all forms of business and operational risk in connection with the running of the school and its activities.

Insurance Programme

- 12.4 The Head of Insurance in consultation with the Section 151 Officer, has delegated powers on behalf of all services to effect and manage insurance cover for specific risks and to decide what is the most appropriate package of internal (self-funded) and external insurance. This statement must be qualified by noting that school governing bodies are able to exercise choice over how they purchase insurance (subject to meeting minimum standards and limits of indemnity laid down by the Council) and are not bound to remain within the centrally arranged insurance policies or self-funded provisions if they wish to effect separate arrangements. The County Council's rights and interests must be named on all insurance policies held, irrespective of who has made the original arrangements.
- 12.5 Schools have the option of buying into the Authority's insurance scheme, joining the Department for Education (DfE) risk protection arrangement (RPA) for schools or buying insurance cover from an external insurer, however **any alternative insurance cover must not be less than that provided by the Authority's scheme.**
- 12.6 The Local Authority must be named on all insurance policies.
- 12.7 The Head of Insurance shall keep a register of all insurance policies held and a full record of what property and risks are covered thereby.
- 12.8 A brief statement of the main policies taken out by the Council is given below. A budget manager must contact the Lead Authority Insurance Team if they think additional cover may be required. This will help protect the council from the risk of buying insurances that are unnecessary, too costly, not with the insurers who are appropriate, and avoid duplication of existing insurance arrangements.

Centrally arranged policies are:

- (a) Fire and associated risks for all buildings which the Council owns, or for which it has accepted legal responsibility by way of a lease or licence.
- (b) All public and employers' liabilities, including libel and slander, professional indemnity, officials' indemnity and land charges.
- (c) Personal accident cover for risk of assault on employees of the County Council and for injury to Council members and authorised volunteers.
- (d) Motor vehicles – comprehensive cover on all County Council vehicles, together with contingent liability cover for use of privately owned vehicles used on official business.
- (e) Pecuniary loss (money, fidelity guarantee and cheques indemnity).
- (f) Costs of reinstatement and recovery of ICT infrastructure and systems.

The Head of Insurance should be contacted at:
insurance@cambridgeshire.gov.uk if further details are required such as the actual policy number, name of the current underwriters or any other information on the scope of cover or policy terms and conditions.

12.9 Enquiries about insurance matters must be channelled through the Insurance Section which can provide all necessary advice.

12.10 The Local Authority insurance does not cover Non Public Funds. The Insurance Section operates a separate insurance scheme for Non Public Funds which schools can purchase.

Notification of Changes of Risk

12.11 Governing Bodies shall give prompt notification to the Insurance Section of all new risks, property, vehicles and other assets or contractual obligations which require to be insured and alterations that may affect existing insured risks (including closure of buildings, sale of vehicles or disposals of other insured assets).

12.12 Where contracts are to be entered into for services to be provided to an external party, the Insurance Section must be consulted on appropriate levels of cover before the terms are agreed. For lettings to casual users, insurance cover can be obtained via the Insurance Section. For lettings to regular or commercial users, the hirer should obtain their own insurance cover, which should cover legal liability.

- 12.13 Provision of indemnities which may assume legal liability for the actions of another party must not be accepted without full consultation with the Local Authority's legal advisers and if accepted must also be notified to the Insurance Section.
- 12.14 Governing Bodies must formally assess their insurance requirements at least annually. To avoid action that may unintentionally negate existing insurances, Governing Bodies must seek advice from the Insurance Section if additional insurance cover is purchased.
- 12.15 Governing Bodies are responsible for ensuring that all assets are included on inventory records, in accordance with Financial Regulation 20 (Security of Assets) and [Annex G](#).

Reporting of incidents, losses and potential claims

- 12.16 Schools must make a written report of any event, loss, liability or damage which may result in an insurance claim and give full and timely assistance with the conduct of any investigation which may follow. Advice must be sought immediately from the Insurance Section if there is a suspicion that a civil legal action is in prospect.
- 12.17 Civil procedure rules and protocols must be strictly adhered to in order to avoid cost penalties or unnecessary litigation expenses. Employees and other persons must not attempt to negotiate a settlement, give interviews, make statements or offer to pay compensation in any way that may prejudice any civil legal action which may be brought subsequently against the Authority.
- 12.18 The same incident may lead to an investigation for an alleged breach of or failure to comply with some part of the Health and Safety at Work Act and the regulations made thereunder.

Use of motor vehicles

- 12.19 All staff using their own private vehicles on behalf of the School shall maintain appropriate insurance cover for business use.
- 12.20 Drivers must be authorised to drive School or Authority owned or hired vehicles before use. Only drivers who hold the LA Minibus Driving Permit will be authorised to drive a School or LA minibus with passengers. The 'Minibus & Other Passenger Carrying Vehicles' regulations must be followed by schools.

13.0 Purchasing of Goods / Works / Services

- 13.1 Whilst schools do not use the ERP Gold system (the Authority's main finance system), they should still follow the key purchasing controls of having an order form raised, approved by a separate approver, and a goods receipting process should be undertaken and evidenced before payment.
- 13.2 The County Council (including Schools) is a major purchaser of goods, works

and services. It is at the point of ordering that the County Council is committing expenditure. Therefore, the relevant budget manager / head teacher must ensure that:

- (a) All orders are completed properly and appropriately authorised, subject to the separation of duties requirements set out in 13.3.
- (b) The extent of the commitment is known.
- (c) Budgets are not exceeded without appropriate authority.
- (d) Only goods / works / services as ordered and received are receipted.
- (e) Purchases are lawful (i.e. within the powers of the County Council / School).
- (f) Purchases are only made for School purposes - workers are not permitted to use orders for private purchases.
- (g) Value for money is obtained, with Contract Procedure Rules being strictly adhered to.

Separation of Duties

13.3 The elements of ordering and invoice processing should, as far as possible, be carried out by separate people, i.e.

- a) raising of original order;
- b) authorisation of order;
- b) checking that goods have been received as ordered, including certifying invoices to show that goods have been received;
- c) checking off invoices against copy orders for correctness of price and ensuring items have not been previously passed for payment;
- d) authorising invoices for payment. (i.e. with a signed goods receipt note, or a signed note on the invoice to say that the goods/services have been received. A signature alone is not sufficient.)

13.4 In such circumstances where this separation is impractical, such as in a small school with limited numbers of staff, as a minimum the person checking that the goods per invoice have been received must not be the person authorising the order and/or certifying the invoice. This must be the exception, and only applied where the full separation of duties as outlined in 13.3 is not possible. For any spend of greater than £1,000 schools must be able to evidence separation of duties in purchases.

Use and Control of Official Stationery

- 13.5 If applicable, blank orders must be held securely, used sequentially, and all orders should be accounted for with any cancelled orders crossed through and retained.
- 13.6 Copy orders must be retained in accordance with Retention of Records and filed in an orderly manner and marked clearly to show items received and paid for.

Raising Orders For Goods / Work / Services

- 13.7 All orders must be signed by the appropriate Budget Holder or by a person who is authorised to sign orders on his/her behalf.
- 13.8 Schools are encouraged to use approved Local Authority suppliers for all purchases made. Where no approved supplier can provide the goods/works/services, the Schools Purchasing Advisor should be contacted for advice.
- 13.9 Contract Regulations must be followed in respect of all purchases. If a project is being accounted for through the school's bank account but is being managed by an external organisation (i.e. providing funding, arranging quotes/tenders, and appointing a contractor) the school needs to have an email/letter from the external organisation retained on file stating this. Otherwise the school is responsible for obtaining and retaining the quotes., i.e. the school must either demonstrate compliance with Contract Regulations or have something in writing to evidence why they have not needed to comply.
- 13.10 Oral (telephone) orders and orders made over the internet must only be made with the prior knowledge and approval of the Budget Holder and should be confirmed immediately afterwards by raising an official order clearly annotated "Confirmatory Order" and signed by the Budget Holder.
- 13.11 The Budget Holder must authorise all orders raised.
- 13.12 When authorising the order, the Budget Holder is responsible for ensuring that the order:
 - a) is completed properly;
 - b) complies with Financial Regulations, Contract Regulations and EU directives;
 - c) is appropriate for school purposes;
 - d) offers the most favourable terms for price delivery and quality for the school;

- e) can be covered by the appropriate budget.
- f) Where goods are ordered and approved electronically, there must be an authorised requisition retained on file.

Payment of Accounts

- 13.13 Budget Holders and other authorised signatories are given authority by the school to authorise invoices for payment. Each authoriser is required to certify that the invoice and the cheque or Natwest faster payment import are correct, necessary, and relevant to the school, prior to being paid.

On no account should cheques be signed that are blank i.e. have no supplier details or no amount on the cheque.

Bankline log in and card details must not be shared. These are person specific and additional users can be requested if required by contacting schools corporate team.

- 13.14 Cheques being processed by school staff must be sequential and follow on from each other. It is the responsibility of the authorised signatories to check the next available cheque on their system matches the cheque book or next pre-printed cheque sheet. If numbers do not match it must be investigated as to the reason for this and record the reason in the month end folder. Cheque books must be kept secure (this includes pre-printed cheque sheets).

- 13.15 Governors should perform spot checks on the payment system to check:

- Cheque number sequences do run on
- Invoices match cheque amounts/Natwest import details (including company name and bank details)
- Unreconciled items (e.g. unrepresented cheques) are checked and reviewed.
- Check cheques are stored safely.
- Check cancelled/spoiled cheques have been retained.

- 13.16 A register of specimen signatures of those authorised to pay accounts must be maintained by the school.

- 13.17 In certifying the invoice, the authoriser is responsible for ensuring that:

- (a) Payment is only made where goods or services have been received or carried out and examined as to quantity and quality. (Note: in certain limited circumstances such as payment of course fees, payment may be required in advance. In these circumstances, if unavoidable, payment may be made provided proper procedures are introduced that ensure that the goods/services paid for are received and are of sufficient quality and if not a refund obtained).
- (b) The expenditure is lawful (i.e. within the powers of the Local Authority).

- (c) Purchases are only made for Local Authority purposes. Staff and any other organisations are not permitted to use Local Authority orders for non-Local Authority purchases.
- (d) The prices, discounts and other allowances are correct, and that all calculations on the invoice (including VAT) are arithmetically correct.
- (e) The expenditure is within budget limits.
- (f) The invoice has not previously been passed for payment.
- (g) Head teachers must regularly perform reviews of the unreconciled items list (of outstanding cheques/cash book journals) to ensure all cheques are banked and investigations are undertaken where balances are remaining for long periods unclear/unreconciled.

13.18 Virtually all VAT charged to the Local Authority by suppliers can and must be reclaimed. VAT must be coded out separately, otherwise schools and the Local Authority are bearing an unnecessary cost. For more information or guidance on VAT, contact the Schools Corporate Team (01223 699757).

13.19 Copy invoices and invoices that are hand-written or have no VAT registration number should be subject to thorough checks to establish their validity, and checks made to ensure that they have not been previously passed for payment. Statements of account must not be passed for payment.

13.20 Proforma invoices should not be used as a substitute for a creditor's proper invoice and, where possible, should be supported by correspondence or such other documentation as may be necessary to establish that payment is due. Where VAT is payable on advance payments, a VAT receipt must be obtained and filed.

13.21 All invoices must be paid within 30 days of receipt or within the time limits specified by suppliers. Therefore, all invoices must be date-stamped upon receipt, certified and authorised as per paragraph 13.15, and paid promptly. Any delays could result in the payment of interest charges by the school.

13.22 VAT receipts for purchases under £250 only need to have a VAT number. It is acceptable for the school to calculate the VAT and add a description to the receipt of the type of goods purchased if not already shown.

13.23 Advice on whether a payment is lawful can be obtained from Schools Finance or Internal Audit. Any suspicion that a payment is not lawful must be reported to the Head of Audit.

14.0 Personal Employee Expenses

14.1 Payroll providers have a responsibility to provide the HMRC with details of all benefits in kind provided or expenses reimbursed to its employees and must

ensure that income tax and national insurance contributions are collected on all qualifying expenditure.

- 14.2 Where schools fail to comply with the procedures set out by the HMRC or payroll provider, their own individual budgets will be charged with any tax, national insurance, interest and penalties assessed on the school.
- 14.3 All employee expenses claims must be approved by the claimant's line manager and by the appropriate Budget Holder as being correct and in accordance with the requirements of the service.
- 14.4 Staff must not authorise their own claims. Head teachers should get claims authorised by the Chair of Finance, or the deputy head/senior teacher. If the deputy head/senior teacher authorise claims, the Chair of Finance should review the claims on a quarterly basis.
- 14.5 The Budget Holder is responsible for:
- (a) Ensuring that payments are only made to bona fide employees who are eligible to receive payments at that time according to current rules laid down by the Authority;
 - (b) Ensuring that payments are in accordance with current rates;
 - (c) Making prompt, complete and accurate returns (P11D) to Employee Benefits in the Lead Authority team, of information needed for returns to HMRC such as cars provided to employees outside a normal lease car scheme, telephones, living accommodation etc., and any other possible taxable benefits.
- 14.6 All claims for reimbursement of expenditure by individuals must be processed through the school's payroll system and not via the school imprest, petty cash or bank account.
- 14.7 Claims must be made using the appropriate claim forms, with supporting receipts where applicable.
- 14.8 Leavers must be notified to the school's HR provider and payroll provider in order to reclaim any repayment of expenses due. Relocation and training expenses can be repayable if the employee leaves within a specified period.

15.0 Payroll

- 15.1 The school's payroll provider is responsible for making payment of all salaries, wages, gratuities, compensation and other emoluments to all current and former employees of the school.
- 15.2 The rules for determining whether an individual is treated as an employee or as self-employed for tax purposes are complex, and there are severe penalties for

failing to deduct tax where it is due. Budget Holders should refer to their HR or Payroll provider for advice where necessary. Schools must ensure they follow HR advice, on workers legal status, i.e. employed or self-employed (and document these checks). This is to ensure the correct level of NI and PAYE is paid over to HMRC, as HMRC may deem that a person should have been employed through payroll and not paid directly.

- 15.3 It is the head teacher's (or other delegated person's) responsibility to ensure that: -
- (a) payments are correct (compared to the school staff spreadsheet), authorised and accounted for properly;
 - (b) payments are made only to bona-fide employees of the school and to valid beneficiaries of the Pension and Compensation Schemes;
 - (c) allowances and deductions are authorised, correct and are properly accounted for and the persons in receipt of allowances are eligible for them;
 - (d) payments are lawful (i.e. within the powers of the Local Authority);
 - (e) payments are within budget.
 - (f) The payroll provider validation reports, setting out the payment of employees for each given month must be signed off, within 4 days, as being accurate, by the head teacher (this is not to be delegated), prior to the payroll payment run.
- 15.4 Governors must perform monitoring to ensure that payroll procedures are being operated in accordance with current local and statutory guidance and financial regulations. One of the key checks by governors is ensuring the Head Teacher has checked and signed off the Payroll Validation report as being correct. These checks must be documented and supporting evidence retained.
- 15.5 Following recent internal audit recommendations the Payroll Costing Report and Previous Pay Comparison Report should be used to identify all variances and illustrate the full cost of the payroll to be signed off. If these two reports are used, the Payroll Validation Reports and EPM Variance reports are not necessary and schools are able to conduct more detailed scrutiny of their payroll.
- 15.6 The head teacher must ensure that the appointment of all employees is in accordance with the policies of the Governing Body, at the approved grades and rates of pay.
- 15.7 No person may authorise any notification to the payroll provider concerning amendments to his/her own pay. A second officer must authorise individual payroll amendments. This would require schools to apply separation of duties in all individual payroll amendments, which if not demonstrated increases the

risk of payroll fraud. Evidence of separation of duties should be retained (e.g. filing of email approval from the Head teacher).

- 15.8 The school's payroll provider must be notified as soon as possible, in a form acceptable to them, of all matters affecting payroll payments, such as appointments, dismissals, resignations and retirements, or any other change of circumstances affecting remuneration.
- 15.9 The school's payroll provider must be notified of all information to ensure that the correct deductions are made for pensions contributions, Income Tax, National Insurance, sickness and maternity pay, and other miscellaneous deductions.
- 15.10 All documents sent to the school's payroll provider should identify clearly to whom they relate, i.e. by showing the name, payroll reference number and/or job title and place of work.

16.0 Income

- 16.1. It is the Budget Holder's responsibility to ensure that procedures for the collection or invoicing of income due are operating such that:
 - (a) all income due is identified and accounted for properly;
 - (b) invoices for income due (or credit notes) are raised as soon as the chargeable goods or services are provided;
 - (c) all monies received are brought into account promptly, correctly, accurately and completely;
 - (d) all income collected is held securely, banked promptly and intact;
 - (e) VAT is accounted for correctly. (For further information, see [VAT guidance](#)).
- 16.2 All income received must be recorded on the school's prime accounting records.
- 16.3 All monies received must be receipted in a receipt book or otherwise adequately recorded (e.g. dinner register) at the time of receipt, and be reconciled to the bank paying in slip.
- 16.4 Receipts should also be provided for Non-Public Fund money.
- 16.5 For remittances where receipts are not always issued (e.g. settlement of debtors invoices) an accounting record (such as a remittance list) must be made immediately on receipt.
- 16.6 Each person responsible for paying money into a bank account must enter onto the copy paying-in slip sufficient information to identify each transaction

including the amount of the cheque and a reference (such as receipt number or debtor name) to connect the cheque with the service provided. On the back of each cheque the person should enter sufficient detail to identify the school.

- 16.7 On handing cash over to another person, all employees should ensure that they receive a suitable formal acknowledgement such as a receipt.
- 16.8 To ensure adequate separation of duties within the cash collection and banking process, as far as is possible, different people should undertake the following activities:
- (a) collecting or receiving money;
 - (b) recording and banking receipts;
 - (c) reviewing and reconciling receipts to cash banked;
 - (d) authorisation of debt write offs;
 - (e) custody of saleable stock and materials.
- 16.9 Where the number of staff is not sufficient to allow such separation, as a minimum, the person responsible for reviewing and reconciling receipts to cash banked and/or authorising debt write offs should not be the person responsible for collecting and/or banking receipts. This must be the exception, and only applied where the full separation of duties as outlined in 16.8 is not possible.
- 16.10 Regular reconciliations of amounts collected (per till rolls, receipts etc.) to cash banked as recorded on copy paying-in slips should be carried out, by someone independent of the persons carrying out the receipting, recording and banking of income.
- 17.0 Cash Security**
- 17.1 All persons involved in cash handling have a duty to ensure that practice and procedures properly safeguard cash holdings in their possession, **but not at any risk to their own person.**
- 17.2 Head teachers must ensure that written procedures exist covering the aspects of cash security covered below, and what action staff are to take in emergencies, e.g. attempted theft; fire alarms etc.
- 17.3 Head teachers must ensure that adequate arrangements are made to safeguard monies pending banking and within insurance levels. Such arrangements include:
- (a) use of locked cashboxes held in a safe or locked drawer or cabinet;
 - (b) restricted access to the keys for the above;

- (c) locking cash away when unattended;
- (d) not counting cash or accessing the safe etc. in view of visitors and members of the public;
- (e) where large amounts are collected, considering the physical security of the cashier's office (e.g. access arrangements to the cashiers area; screens; alarm systems etc).

17.4 Head teachers must ensure that banking arrangements minimise monies held, do not exceed insurance levels and minimise the risk to staff undertaking the bankings. Such arrangements include:

- (a) measures to minimise actual cash (e.g. use of cheques and debit/credit cards);
- (b) regular bankings, to avoid cash and cheques on site exceeding £3,000;
- (c) use of night safe facilities when banks are not open;
- (d) varying the timing and route of visits to the bank, and the staff undertaking the bankings;
- (e) not utilising conspicuous bags etc. to transport monies;
- (f) use of security services for cash sums in excess of £5,000 (not to be held on site overnight, so same day dispatch/transfer from site to bank);
- (g) Headteachers must not allow levels of cash and cheques held to exceed the maximum permitted limits (£5,000) set under the insurance policy for monies held in a safe during working hours and overnight.

18.0 Petty Cash

18.1 Petty cash can be held within the school providing that there are suitable arrangements in place for safeguarding the cash and that it is recorded using the school's financial system.

Inappropriate Expenditure

18.2 The following expenditure must not be made through Petty Cash:-

- (a) Payment of salaries or wages to employees or payments which could be considered as such by HMRC e.g. honoraria.
- (b) Payments to contractors in the construction industry (for more information, see Subcontractors – Construction Industry Tax Deduction

Scheme).

- (c) Payment of any expenses to County Council employees.
- (d) Payment for items which can be acquired using a government procurement card.
- (e) Payment of cash to 'casual' workers or young people.
- (c) payment for items which can be acquired using a government procurement Card

Supporting Documentation

- 18.3 Claims must be supported by adequate documentation to support the expenditure incurred. This should demonstrate that the expenditure is bona-fide, lawful and in accordance with the requirements of the service. The documentation should record:
- (a) the reason for/details of the expenditure;
 - (b) date expenditure was incurred;
 - (c) amount of expenditure;
 - (d) signature of person incurring the expenditure;
 - (e) where expenditure incurred is large (over £30), a second member of staff must sign the supporting documentation.
- 18.4 Wherever possible the supporting documentation must be a VAT invoice/receipt to enable the VAT element to be reclaimed. Failure to obtain such a voucher means that the school budget will have to bear the VAT element of any expenditure.

Separation of Duties

- 18.5 There must be a separation of duties between the persons operating the petty cash system and reconciling it.
- 18.6 The person operating the petty cash must not be a cheque signatory.
- 18.7 An independent person should:
- (a) checking that the documentation supporting petty cash is complete and satisfactory;
 - (b) checking that the petty cash reconciliation statement is correct both in principle and arithmetically;

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- (c) physically checking the figures in the reconciliation statement;
- (d) count the cash in hand, and ensure it agrees to the amount entered within the records.

Petty Cash Levels

- 18.8 The level of cash held should be a maximum of £200 for Primary Schools.
- 18.9 Special and Secondary school cash limits will be reviewed annually to ensure they are set at an appropriate level.

19.0 Government Procurement Cards

- 19.1 Schools are able to use the Authority's government procurement card scheme.
- 19.2 Each procurement card is assigned to an individual cardholder who has personal responsibility for its proper operation, in accordance with this Regulation. Procurement cards must not be used for private use.
- 19.3 The Headteacher is responsible for ensuring that all staff assigned a Procurement card are operating procedures such that:
- (a) cards are safeguarded from theft and misuse;
 - (b) expenditure incurred through the use of procurement cards is bona-fide, lawful and in accordance with the requirements of the service;
 - (c) expenditure is within budget limits.

This will require the Headteacher to perform management checks regularly to check receipts match up to card payments, and are all for school expenditure only.

- 19.4 All Procurement card purchases are subject to the same rules and procedures as set out in section 13.0 Purchasing of Goods / Works / Services.

20.0 Stocks and Stores

- 20.1 The school will hold stocks and stores of some items needed on a day-to-day basis.
- 20.2 The Headteacher is responsible for ensuring that adequate procedures and financial controls are in place to ensure the appropriate use of these assets, such that:
- (a) records and procedures are sufficient to identify transactions and the volume and value of all usable stocks/stores held;
 - (b) stocks and stores are properly secured;
 - (c) best value is obtained in the provision of stocks and stores.

Best Value

- 20.3 In general, stocks/stores should be maintained at minimum levels consistent with operational requirements.
- 20.4 Order quantities should be calculated to obtain economies in purchasing consistent with minimising investments in stocks.
- 20.5 Where stocks have a limited shelf life or are liable to obsolescence, stores should be used on a first in first out basis.
- 20.6 Disposal of surplus or obsolete stocks/stores must be undertaken in accordance with the Contract Regulations for Schools.

21.0 Security of Assets

- 21.1 This Regulation applies to all assets (owned or leased), which cost more than £500 and to all portable and attractive items owned by the Local Authority or the school.
- 21.2 Headteachers are responsible for ensuring that:-
 - (a) Proper security is maintained at all times for all buildings, furniture, plant, equipment, vehicles, stores, stocks, cash etc. under their control. They should also aim to achieve maximum utilisation of such assets in the provision of services.
 - (b) Appropriate inventory records are maintained, in accordance with the instructions in [Annex G](#).
 - (c) Surplus or obsolete materials, stores or equipment are disposed of in accordance with the Contract Procedure Rules.
- 21.3 Inventory records should be maintained using an Inventory Book, or by alternative electronic means.
- 21.4 Registers of key holders for buildings, safes etc. should be maintained. Keys should be issued to as few people as possible.
- 21.5 The Section 151 Officer shall maintain a register of all properties held by the Authority, showing the purpose for which the property is held, the location, extent and plan reference, purchase details and the nature of the interest.
- 21.6 The Section 151 Officer shall arrange for the safe custody of title deeds in respect of land and properties.

22.0 Information Management Security

- 22.1 Ensuring the integrity, availability and confidentiality of data is an important

matter and is subject to a number of legal acts (e.g. Computer Misuse Act 1990, Data Protection Act 1998, Copyright Designs and Patent Act 1988).

The County Council's Information Sharing Framework must be followed. For further information, contact data.protection@cambridgeshire.gov.uk.

Therefore schools should have policies for these, and as a minimum comply to the Local Authority policies, but can be tailored to better fit schools, provided the security of information is upheld.

23.0 Fraud and Corruption

- 23.1 The County Council is committed to the elimination of fraud and corruption and is determined to protect itself from such unlawful activities, whether they are attempted from within or by an outside individual, group or organisation. The County Council's Anti-Fraud and Corruption Policy must be followed. Internal Audit can be contacted at Internal.Audit@cambridgeshire.gov.uk.

24.0 Whistleblowing

- 24.1 The County Council is committed to the highest possible standard of operation, probity and accountability, and recognises that its workers are often the first to realise that there may be something wrong within the Council. Please follow the Whistleblowing Procedure, rather than ignore the concern. Internal Audit can be contacted at Whistleblowing@cambridgeshire.gov.uk

25.0 Audit Reporting and Escalation Protocol

- 25.1 Audit managers are responsible for ensuring that draft audit reports are issued within a maximum of four weeks of completion of the audit fieldwork. Recipients of audit reports are responsible for responding in writing to the factual accuracy of the draft report and providing a satisfactory response to recommendations within four weeks of issue. Reminders to draft reports are issued after four weeks. Final audit reports will be issued incorporating the management response within two weeks of receipt. For expediency, email is the preferred form of communication.
- 25.2 Where material recommendations are not accepted or no response is received within the timeframes specified, the audit manager will discuss with the client and, if still no acceptance or response, will report to the relevant director.
- 25.3 If a satisfactory response is not received after referral at 29.1 above, the audit manager reports to the Head of Internal Audit who decides on further action. (This may involve reporting to the Section 151 Officer with recommendations for further action).
- 25.4 Where responses to draft reports have not been received within two months, this will be reported to the Audit and Accounts Committee.

- 25.5 Timescales will be accelerated where there is significant risk of material loss or error or where particularly sensitive or contentious issues are involved.
- 25.6 Audit managers are responsible for bringing to the attention of the Head of Internal Audit, significant audit findings and sensitive or contentious issues.
- 25.7 The Head of Internal Audit briefs the Section 151 Officer monthly on audit issues and findings. The Head of Internal Audit is responsible for deciding on those issues sufficiently important to bring to the attention of the Section 151 Officer between these meetings.
- 25.8 The Head of Internal Audit is responsible for identifying and reporting major issues to the Section 151 Officer and appropriate Corporate Leadership Team members.
- 25.9 A periodic 'audit issues' report is presented to the Audit and Accounts Committee. Between meetings of the Committee the Head of Internal Audit is responsible for reporting major issues to the Chair of the Committee.
- 25.10 Follow-up audits have been introduced to ensure proper implementation of audit recommendations where major weaknesses in systems have been identified. Progress on the implementation of recommendations is reported periodically to the Audit and Accounts Committee.

Annex C – Responsibility for Redundancy and Early Retirement Costs

Any school considering the termination of the employment contract of a member of staff employed to work at the school must seek the specific advice of the Authority before making any formal commitment to terminate the employment contract whether or not the school has access to any other source of relevant advice.

Costs incurred in respect of the premature retirement of any member of staff of a maintained school shall be met from the budget share of the school, unless in the most exceptional circumstances the Authority has agreed in writing before the retirement occurs that it will meet part of the cost. It should be noted that enhanced pensions associated with premature retirements give rise to long term commitments which must be honoured by the school until the pension ceases to be payable.

Costs incurred in securing the termination of employment of any member of school staff employed for community purposes shall be met by the governing body of the school, unless in the most exceptional circumstances the Authority has agreed in writing before the termination occurs that it will meet part of the cost.

The Authority may offer a contribution to any redundancy cost at its sole discretion where it deems that it would be unreasonable in all the circumstances to expect the school budget share and other income of the school to meet the whole cost of a particular redundancy.

Where a partnership agreement relevant to the particular employment is in force the termination costs will be charged proportionately against the budget shares of the partner schools as specified by the partnership agreement or in the absence of such a specification in proportion to the respective numbers of pupils at the schools.

The guidance note below summarises the position relating to the charging of voluntary early retirement and redundancy costs. It sets out what is specified in legislation and provides some examples of when it might be appropriate to charge an individual school's budget, the central schools budget or the local authority's non-schools budget.

Section 37 of the 2002 Education Act says:

“(4) costs incurred by the local education authority in respect of any premature retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except in so far as the authority agree with the governing body in writing (whether before or after the retirement occurs) that they shall not be so met.

(5) costs incurred by the local education authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall not be met from the school's budget share for any financial year except in so far as the authority have good reason for deducting those costs, or any part of those costs, from that share.

(6) The fact that the local authority have a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18)."

The default position, therefore, is that premature retirement costs must be charged to the school's delegated budget, while redundancy costs must be charged to the local authority's budget.

In the former case, the local authority has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy.

Ultimately, it would be for the courts to decide what was a good reason, but the examples set out below indicate the situations in which exceptions to the default position might be taken.

Charge of dismissal or resignation costs to delegated school budget:

- if a school has decided to offer more generous terms than the local authority's policy, then it would be reasonable to charge the excess to the school
- if a school is otherwise acting outside the local authority's policy
- where the school is making staffing reductions which the local authority does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit
- where staffing reductions arise from a deficit caused by factors within the school's control
- where the school has excess surplus balances and no agreed plan to use these
- where a school has refused to engage with the local authority's redeployment policy

Charge of premature retirement costs to local authority non-schools budget or central schools budget:

- where a school has a long-term reduction in pupil numbers and charging such costs to their budget would impact on standards
- where a school is closing, does not have sufficient balances to cover the costs and where the central schools budget does not have capacity to absorb the deficit

- where charging such costs to the school's budget would prevent the school from complying with a requirement to recover a licensed deficit within the agreed timescale
- where a school is in special measures, does not have excess balances, and employment of the relevant staff is being or has been terminated as a result of local authority or government intervention to improve standards

Costs of early retirements or redundancies may be charged to the central school services block of the schools budget, as a historic commitment, where the expenditure is to be incurred as a result of retirement and redundancy charges agreed before 1 April 2013. Costs may not exceed the amount budgeted in the previous financial year.

The local authority can retain a central budget within the schools budget to fund the costs of new early retirements or redundancies by a deduction from maintained school budgets, excluding nursery schools, only where the relevant maintained school members of the schools forum agree.

Each case should be considered on its merits, this should be within an agreed framework. It may be reasonable to share costs in some cases, and some local authorities operate a panel to adjudicate on applications.

A de-delegated contingency could be provided, if schools forum agree, to support individual schools where a governing body has incurred expenditure which it would be unreasonable to expect them to meet from the school's budget share.

For staff employed under the community facilities power, the default position is that any costs must be met by the governing body, and can be funded from the school's delegated budget if the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the education acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement.

Section 37 now states:

“(7) Where a local education authority incur costs—

(a) in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or

(b) in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes they shall recover those costs from the governing body except in so far as the local authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.

(7A) Any amount payable by virtue of subsection (7) by the governing body of a maintained school in England to the local authority may be met by the governing

body out of the school's budget share for any funding period if and to the extent that the condition in subsection 7(B) is met.

(7B) The condition is that the governing body are satisfied that meeting the amount out of the school's budget share will not to a significant extent interfere with the performance of any duty imposed on them by section 21(2) or by any other provision of the education Acts.

(8) Where a person is employed partly for community purposes and partly for other purposes, any payment or costs in respect of that person is to be apportioned between the 2 purposes; and the preceding provisions of this section shall apply separately to each part of the payment or costs."

Annex D – Licence Deficit Protocol

The current statutory guidance in relation to the scheme states the following:

- The scheme must contain a provision which has the effect of carrying forward deficit balances, by providing for deficits to be deducted from the following year's budget share.
- Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 March of any year. Local authorities may set a lower threshold than 5% for the submission of a recovery plan if they wish.
- A local authority may include in its scheme provision for an arrangement whereby schools are allowed to plan for a deficit budget.
- The scheme should contain a provision which makes it clear that the local authority cannot write off the deficit balance of any school.

Governing Bodies have a duty to manage the finances of their school as a going concern, within the level of funding available. This means that the financial planning of the school must take into account all sources of funding and be geared towards ensuring the school can continue to operate for the foreseeable future.

Where a school is in deficit or forecasting a deficit in future years appropriate and timely management action should be undertaken to bring the financial position of the school back into a balanced position within agreed timescales.

Licensing Rules

As required by the Act, Cambridgeshire's deficit budget licensing rules can be summarised as follows:

- Governing Bodies can only set a deficit budget with the approval of the Authority. Approval is given in the form of a deficit license that requires annual renewal.
- Deficit licence applications and recovery plans should be submitted annually by the May budget submission deadline.
- Where an in-year deficit is identified a deficit recovery plan should be submitted by a date agreed with the Authority following notification of the deficit position.
- All sources of funding should be considered when planning for a deficit budget.
- Recovery plans should include SMART targets to ensure proposed actions are specific, measurable, attainable, relevant and timely.
- The deficit must be repaid within 3 years.
- The size of the deficit must not exceed 5% of the Individual Schools Budget (ISB)
- Deficits can only be agreed for the following purposes:
 - to overcome long term financing issues caused by changes in funding and
 - unplanned costs or shortfalls in income
- Deficits must be agreed by the Executive Director: Finance and Resources and Service Director: Education.

- Any deficit in excess of 5% or £500k will require approval by Council Members in public at Committee.
- Schools cannot increase the size of the deficit without prior approval from the Authority.
- Schools will not be allowed to extend the deficit indefinitely.
- The Authority may not write-off the deficit balance of any school
- The Authority will require a school with a deficit to submit monthly monitoring report and reconciliation reports by the deadline set out within the Corporate Requirements Framework for Schools
- The Authority will require a school with a deficit to submit progress on the recovery plan in no later than 2 weeks after the end of September and January

Responsibilities

School's Responsibilities:

- To plan the school finances as a going concern
- To consider all sources of funding in financial planning
- To ensure that the financial recovery plans of the school are implemented
- To ensure that the financial recovery plans of the school are adequately monitored
- To alert the Authority at the earliest opportunity of an emerging deficit
- To manage and forecast cashflow and alert the Authority where a cashflow advance is required (see below).

Local Authority Responsibilities:

- To evaluate and challenge school financial planning and in particular deficit budget plans.
- To evaluate and negotiate recovery plans with schools where a deficit budget is planned
- To monitor school performance against the recovery plan
- To intervene where deficit recovery plans are inadequate

Operational Arrangements

In general, formal planning for deficit budgets will take place during the budget build, and discussed with the Schools Financial Adviser (where applicable). However, the need for a deficit budget may also become apparent during a financial year at which point the school should inform the Authority by again either discussing with their SFA or emailing bank.account@cambridgeshire.gov.uk.

Schools should submit a deficit recovery plan as part of a deficit licence application at the same time as submitting the budget submission. The recovery plan should comply with the rules described above.

When the need for a deficit arises part way through the financial year a deficit recovery plan should be developed immediately and submitted to the Authority for approval.

The Authority will evaluate the recovery plan against the following criteria:

- The plan is robust and consistent with the concept of the school as a going concern
- The level of staffing and other expenditure is appropriate to the school's targets and is consistent with the school's development plan
- All sources of funding have been considered
- The plan is properly costed
- The school has the ability to monitor against the plan and the proposed actions are SMART.

All deficits will be reported to and considered by the School Deficit Monitoring Group (SDMG) to be chaired by the Service Director: Education. Quarterly reporting to CEF Executive Director and S151 Officer.

The SDMG will agree the appropriate level of intervention / escalation as set out on the following page.

Cashflow Support

Under the scheme schools can apply for cashflow support to provide flexibility in managing as a going concern.

Schools will be required to submit a cashflow forecast detailing planned expenditure versus income to the Authority in accordance with agreed timescales.

Advances will automatically be recovered from the schools via the monthly funding statement when overall cash balances allow.

If the magnitude of cashflow support required is in excess of chief officers' authority, the authority may need to refer a deficit request for decision by Council Members in public at Committee.

In instances where the deficit is greater than 2% of budget share loans under the school loan scheme will be charged interest set as the rate set by the Bank of England but it will never go below 0.1%.

Schools in Deficit Intervention

School identifies a deficit budget / ends the financial year in deficit / forecasts deficit in-year



School to submit deficit licence application and deficit recovery plan. (SFA support where schools purchase a traded package). All deficits will be reported to and considered by the School Deficit Monitoring Group (SDMG) to be chaired by the Service Director: Education. Quarterly reporting to CEF Executive Director and S151 Officer.



Deficits <5% / £500k – Subject to review, if deemed to be a robust plan which will recover the deficit within 3 years the licence will be approved by Senior Finance and Education Officers.



Deficits >5% / £500k – Subject to review, if deemed to be a robust plan which will recover the deficit within 3 years the licence will require approval by Council Members at the appropriate Committee.



Advisory Letter – *Following approval of their deficit recovery plan schools will be issued with an advisory letter setting out the conditions of the license and any required actions.*



- Further Intervention will be considered where either:*
- *the school has not engaged in the deficit recovery process*
 - *the school has failed to submit a deficit recovery plan*
 - *the deficit recovery plan fails to provide sufficient assurance*
 - *the deficit is not recovered within 3 years*
 - *the deficit worsens and no action is being taken by the school*
 - *the school has failed to submit deficit monitoring returns*



Notice of Concern - A Notice of Concern will be issued to a school where it is considered that County Council intervention is required. The letter will express concerns regarding the financial health of the school and actions that school may be required to undertake.

Where a school has received a Notice of Concern and a level of intervention has already been given but there is insufficient assurance from the actions taken that the deficit balance will recover, the school will be referred to members of SDMG.

SDMG will decide the appropriate action to be taken, which may include setting up a Finance Support Group (FSG) or Finance Improvement Group (FIG).



Finance Support Group (FSG) – to include Headteacher, School Business Manager, Schools Financial Adviser and School Improvement Adviser

Finance Improvement Group (FIG) - to include Assistant Director: Education, Chair of Governors, Headteacher, School Business Manager, Senior Finance Business Partner and School Improvement Adviser



Warning Letter - Should the school be issued with a formal notice of concern this will set out in writing the detailed concerns and actions the school will need to take within the stated period. The notice will also state the actions that the County Council will take where the governing body does not comply with the notice.

A Finance Improvement Group (FIG) will be convened to provide support and challenge to those with oversight and responsibility for the setting and monitoring of the budget.



Suspension of Financial Delegation - If there is a failure to address the financial situation, or if the budgetary position continues to worsen, the County Council may consider suspension of financial delegation pursuant to the School Standards and Framework Act 1998.

Annex E – Retention of Financial Records

It is important that records (computerised or manual) are carefully retained and systematically filed as they are required for inspection by a number of agencies such as Internal Audit, the external auditor, HMRC officials etc.

The required minimum period for the retention of financial records is: Current financial year plus the three previous financial years.

This applies to:

- Receipts,
- Till Rolls,
- Invoices,
- Copy Orders,
- Audit Trails,
- School Meals and School Funds (non-public) Records.

The advised periods for the retention of other financial records are detailed below:

Accounts etc	Period of Retention
Sales Contracts	6 years after agreement ends
Purchasing Contracts	6 years after agreement ends
Stock Inventories	7 years
Published Accounts	Permanently / Indefinitely
Taxation Returns	Permanently / Indefinitely
External Audit Reports	Permanently / Indefinitely
Cheques	6 years
Bank Statements	6 years
Cash Statements	6 years
Deeds of Covenant	12 years after final payment
Primary Salaries & Wages Records	7 years
Expense Accounts	7 years
Government Procurement Card transaction receipts	7 years

Pension Scheme Records	Permanently / Indefinitely
Business Planning Papers	3 years
Capital Working Papers and Documentation (to support the requirements of regulation 5)	6 years from completion of project
Budgetary Control Reports	3 years
Insurance	
Insurance Policies (Excluding Liability)	6 years after lapse
Liability Insurance Policies	Permanently / Indefinitely
Insurance Claims	6 years after settlement
Insurance Schedules	10 years

Annex F - Debt Escalation Protocol

Example Debt Collection Timetable

Schools raising invoices are responsible for ensuring customers are aware of the payment terms and that the customer has the capacity to pay prior to an invoice being issued. The following process is based on the approach applied by the Local Authority to invoices that have not been paid by the due date:

- The debt collection process should commence four days after the invoice due date (to allow for any payment made right on the due date to clear and be applied) unless it is in excess of £5,000 in which case a telephone call should be attempted prior to the due date (providing telephone contact details have been provided and resources allow). The timetable below may alter depending on the individual circumstances of specific cases.
- Due date + 4 days - if no response or payment has been received, the customer is issued with a first reminder requesting payment.
- Due date + 12 days - if no response or payment has been received, the customer is issued with a final notice demand for payment.
- Due date + 22 days - if no response or payment has been received, the customer is issued with a formal letter before action stating that the school will look to commence legal proceedings if payment is not received within the next ten days.
- Due date + 34 days - the debt should be assessed to determine what action will be taken next.
- The Governing Body may write off debts to a limit of £500. For amounts greater than this, approval is required from the Section 151 Officer or delegated deputies.
- For all debts in excess of £500 attempts should be made to contact the customer by phone to discuss non-payment and make acceptable arrangements for the invoice to be paid, e.g. payment in full, set up a payment schedule. If no agreement can be reached or contact made then either legal action or referral to an external collection agent should be considered.
- For all debts between £250 and £500, where resources allow, attempts should be made to contact the customer by phone to discuss non-payment and make acceptable arrangements for the invoice to be paid, e.g. payment in full or set up a payment schedule. If no agreement can be reached or contact made, then either legal action or referral to an external collection agent should be considered. Legal action will only be considered in exceptional circumstances as the cost of the action will quickly outweigh the value of the invoiced debt.

Debts under £250 could be referred to external debt collections agents if they remain unpaid after 34 days.

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At all times, schools should adopt a fair and reasonable approach towards the customer taking account of their circumstances and ability to pay. Any disputes with customers that cannot be resolved should be escalated to governors in the first instance.

Often the threat of action plus the formal nature of the request is sufficient to at least prompt a response from the customer.

Annex G – Inventory Instructions

1. Purpose

- 1.1 To provide instructions on how inventories must be maintained.
- 1.2 Internal Audit must be consulted prior to computerising the inventory.

2. Inventory Records

- 2.1 The inventory must include individual items of value exceeding £500. However, it is recommended that items of lesser value should be included if they are attractive and portable. Furniture need not be included unless it is considered unique or particularly valuable.
- 2.2 Serial numbers of equipment must be noted as this information may be very useful to the police if items are stolen. Security marking should be used to record the name of the establishment and its postcode. (Items on loan from other establishments etc. should not be marked).
- 2.3 Budget managers must ensure that the register is kept up to date. Systems therefore should ensure that the person responsible for the inventory is kept fully informed of purchases, loans, write-offs etc.
- 2.4 Proper procedures must be established for loans of equipment, including authorisation policy, specification of finite periods of loan and written acknowledgement of loan. Loans out and items borrowed must be recorded in the sections provided at the back of the inventory book.
- 2.5 The budget manager must sign the inventory book to authorise write-offs, transfers and sales.
- 2.6 Budgets managers must ensure that inventories are checked at least annually. The existence of items loaned out, and those held on loan should also be checked. The annual check should be undertaken by someone other than the person responsible for the equipment on the inventory. The check must be documented as specified in the inventory book.
- 2.7 Where the budget manager is responsible for several establishments or services, each with their own inventory, a master list of inventories held should be maintained.
- 2.8 Surplus, obsolete or unserviceable equipment must first be offered to other establishments or departments. If it is not required by other parts of the Council, it should be sold at the best price available, in accordance with the County Council's Contract Procedure Rules. Where computers are to be disposed of, IT advice must be sought in view of the implications for software licences and data security. The agreed price must be paid before removal of the item.
- 2.9 A copy of the inventory must also be kept off-site.

Annex H - Links to key documents / webpages

Cambridgeshire County Council:

[Cambridgeshire Corporate Requirements - Learn Together \(cambslearntogether.co.uk\)](https://cambslearntogether.co.uk) – contains the latest versions of key documents including:

- [Corporate Requirements 2025-26](#)
- [Model Scheme of Financial Delegation](#)
- [Consolidated Manual of Model Financial Procedures for Schools](#)
- [Model School Health, Safety and Wellbeing Policy](#)
- [Cambridgeshire County Councils Scheme of Financial Management](#)
- [VAT guidance](#)

[Cambridgeshire Schools Forum - Cambridgeshire County Council](#)

[Council Constitution - Cambridgeshire County Council](#)

[Children, Education and Families Scheme of Authorisation - November 2023 \(cambridgeshire.gov.uk\)](#)

Department for Education (DfE):

[School Standards and Framework Act 1998 \(legislation.gov.uk\)](#)

[Education and Inspections Act 2006 \(legislation.gov.uk\)](#)

[Schemes for financing local authority maintained schools 2025 to 2026 - GOV.UK](#)

[Schools financial value standard - GOV.UK](#)

[Consistent financial reporting \(CFR\) framework - GOV.UK \(www.gov.uk\)](#)

[Home - Financial Benchmarking and Insights Tool - GOV.UK](#)

[Buying for schools - GOV.UK](#)