

# Schools Finance Training Guidance

## Policies

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## Scheme for Financing Schools

- Legal requirement for Local Authorities to publish a Scheme as per the Schools Standards and Framework Act 1998, Section 48
- DfE produces statutory guidance which sets out what Local Authorities must do to comply with the law
- The Scheme for Financing Schools covers many areas and topics relating to schools
- The purpose of the scheme is to manage the relationship between the Local Authority (LA) and maintained schools
- The scheme applies to all nursery, community, voluntary, foundation community special schools, foundation special schools and pupil referral units maintained by the LA. It does not apply to schools situated in the authority's area which are maintained by another authority, nor does it apply to academies
- Below is a list of topics covered by the scheme, this is not an exhaustive list:
  - **Introduction**
  - **Financial Management**
    - Details the governing bodies responsibilities
    - Requirements for submitting a budget return
    - School Budgets
    - School Accounts
    - Annual Declaration for School Fund Account
    - Basis of Accounts
    - Purchasing, Tendering and Contract Requirements
    - Application of Contract to Schools
    - Central Funds and Earmarking
    - Capital Spending from Budget Shares
    - Payment of Salaries, Payment of Bills
    - Procurement Card
    - Control of Assets
    - Writing off of Debts
    - Audit arrangements
    - Audit of Private and Voluntary Funds
    - Register of Business Interests
    - Notice of Concern
    - School Resource Management
    - Schools Financial Value Standards (SFVS)
    - Fraud
    - Financial Regulations
    - Spending for the purpose of the School
  - **Instalments of Budget Share, Banking Arrangements**
    - BW and prime account options including bank account requirements for Prime Account Schools
    - Borrowing by schools
  - **Taxation**
    - Value Added Tax (VAT)
    - Construction Industry Tax (CIS)
  - **Treatment of Surpluses and Deficit Balances Arising in Relation to Budget Shares**
    - The Right to Carry Forward Surplus Balances

- Reporting on the Intended Use of Surplus Balances
- Carry Forward Balances
- Interest on Surplus Balances
- Obligation to Carry Forward Deficit Balances
- Planning for Deficit Budgets
- Charging of Interest on Deficits
- The LA cannot write off balances
- Balances of Closing and Replacement Schools
- Licensed Deficits
- Loan Scheme
- **Income**
  - Income from Lettings
  - Income from Fees and Charges
  - Income from Fund-Raising Activities
  - Income from the Sale of Assets
  - Administrative Procedures for the Collection of Income
- **The Charging of School Budget Shares**
  - Circumstances where School Budget Shares can be charged by the LA
  - Charging of Salaries at Actual Costs
  - Other Charges that may be made
- **The Provision of Services and Facilities by the Authority**
  - Provision of Services from Centrally Retained Budgets
  - Timescale for the Provision of Services Bought Back from the LA using Delegated Budgets
  - Service Level Agreements/Contracts
  - Teachers' Pensions
- **Insurance**
  - Requirements of Governing Bodies in relation to Insurance provision
- **Miscellaneous:**
  - Rights of Access to Information and Right of Attendance at Governing Body Meetings
  - Liability of Governors
  - Governors' Expenses
  - Responsibility for Legal Costs
  - Health and Safety
  - Delegation to New Schools
  - Whistleblowing
  - Community Facilities
  - Redundancy / Early Retirement Costs
  - Special Education Needs
  - Child Protection
- **Responsibility for Repairs and Maintenance**
  - Guidance regarding work which can be classified as revenue
- **PFI**
  - Arrangements for 7 PFI schools
- The link below will take you to the Lincolnshire.gov.uk website where you can read more information about the scheme:

## Finance Policy

- The LA recommends that all schools produce a Finance Policy to bring together the key aspects of finance under one policy document
- To assist schools a draft Finance Policy has been created by Schools Finance Team
- The policy should bring together key aspects of finance, the draft policy covers:
  - **Organisation**
    - Finance committee members, meeting dates and minutes
  - **Roles and Responsibilities**
    - Electing finance committee
    - Approving and submitting school's budget
    - Ensure school budget will not overspend
    - Submitting SFVS return
    - Reviewing Finance Policy annually
    - Roles and responsibilities of the Governing Body, Finance Committee, Headteacher and admin staff
    - Satisfy themselves that all parties are fulfilling their responsibilities as set out in the policy document
    - Agree Virement Policy
    - Ensure that the school's Register of Business Interests and Conflict of Interests is kept up-to-date
  - **Authorisation Limits**
    - Authorisations limits for purchase orders, virements and purchase cards
  - **Training**
    - Training needs to be reviewed annually
  - **Budget Setting**
    - Detailed budget to be set at start of the year to include different options as per School Development Plan and any potential cost savings
  - **Budget Monitoring**
    - Importance of regular budget monitoring
    - Headteacher to review budget monthly using financial reports from schools financial system
  - **Financial Administration**
    - Headteacher to monitor financial administration functions of administrator/bursar
  - **Reporting**
    - Importance of the Governing Body receiving detailed, accurate and up-to-date financial information
    - Headteacher to prepare budget monitoring reports for the Finance Committee
  - **Financial Planning**
    - Importance of planning beyond current year
    - Headteacher to prepare a 5 year financial plan
    - Governing Body to consider impact on future years
  - **Audit**
    - Ensure auditors given access to relevant staff and records

- Audit recommendations to be implemented as soon as possible
- **Annual Timetable**
  - Importance of planning financial work throughout the year
  - Annual timetable to be submitted to full Governing Body
- This is not an exhaustive list. For more information you can find a copy of the draft Finance Policy on Perspective Lite:

Schools Finance Team > Policies

## Monitoring and Intervention Policy

- The Scheme for Financing Schools states that schools are not permitted to overspend and must seek prior approval from the LA
- The LA has a pro-active approach to monitoring and intervention to identify schools with financial problems before they overspend
- Where the following situations occur the policy will be triggered:
  - Schools have an overspend on Budget Share at the end of the last financial year, i.e. all surplus balances have been fully utilised and school now has a deficit.
  - They have set a deficit budget for the current financial year.
  - Significant reduction in the number on roll (NoR) in the following financial year:
    - Primary school NoR <100 whose number on roll reduce by 5 pupils
    - Primary school NoR 101<200 whose number on roll reduce by 8 pupils or 5% whichever is greater
    - Primary school NoR >201 whose number on roll reduce by 15 pupils or 7% whichever is greater
    - Secondary school whose number on roll reduce by 15 pupils or 3% whichever is greater
    - Nursery school whose levels of participation reduce by 10%
    - Special school whose place numbers fall by 5 or 5% whichever is greater
  - Significant reduction in the carry forward or future years' projections. For Primary, Nursery and Special schools this is £35k per annum. For Secondary schools it is £50k per annum
  - Serious concerns raised by Internal Audit following the latest inspection
  - Serious concerns raised by Schools Finance Team regarding financial administration
  - Serious concern raised by Ofsted
  - The school have not submitted the Schools Financial Value Standard (SFVS) in accordance with the timescales set by the LA or the information included within the return is a cause for concern
  - The school have carried forward significant underspends at the end of the previous financial year. This will be dealt with in conjunction with the LA's School Carry Forward Policy
  - Suspected fraud or misappropriation of funds
  - A school alert form has been raised within the Council
- The LA has a pro-active approach to monitoring and intervention to identify schools with financial problems before they overspend.
- A targeted / tailored approach is applied to each school, typically this will involve:
  - Responsible Officer contacting the school in September to discuss if any red flags have been highlighted since the budget was set in the summer term.

- Updated Medium Term Finance Plan submitted to Schools Finance Team in the autumn and spring term.
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- Feedback including constructive challenge is provided to the school based on revised information submitted so that this can be incorporated into financial planning. This maybe escalated to the Governing Body.
- Request to review Governor minutes where the financial position of the school is discussed.
- Maintained schools may be asked to meet with the Council's Strategic Finance Lead (Children's Services) or Strategic Finance Manager (Schools Finance Team) to review the schools financial position at least six-monthly or more frequently, if appropriate, in the following circumstances:
  - A primary school's total overspend (including grant funding) at the end of the last financial year exceeded £50,000.
  - A secondary school's total overspend (including grant funding) at the end of the last financial year exceeded £100,000.
  - A school has failed to reduce the overspend by at least 80% of the agreed target in the previous financial year.
- Maintained schools may be asked to meet with the Council's Strategic Finance Manager (Schools Finance Team) or Finance Team Manager (Schools Finance Team) to review the school's financial position at least six-monthly or more frequently, if appropriate, in the following circumstances:
  - A primary school's overspend at the end of the last financial year exceeded £20,000 but was less than £50,000.
- The Monitoring and Intervention policy can be found on Perspective Lite by following the below file path:

Schools Finance Team > Policies

## Managing Change Policy

- This document applies to all Community and Voluntary Controlled schools and is advisory for Foundation and Voluntary Aided schools
- Supports schools with the need to undertake workforce planning
- Provides a fair and transparent process for undertaking staffing reductions
- LA not permitted to retain a budget to contribute to school redundancy costs
- Schools Forum agreed de-delegation for maintained primary schools to support a redundancy budget for 'schools in financial difficulties'
- Contributions to redundancy costs will be made where a failure to reduce staffing would, in the LA's opinion, result in a deficit within two years
- The current charging policy for the school's contribution will continue:
  - The first £5,000 of the total cost of any redundancy or interests of efficiency; or 50% of the total cost of any redundancy or interests of efficiency; whichever is the greater, subject to a maximum of 2.5% of the school's budget share for that financial year, with the County Council funding the balance
- LA's Managing Change Policy has been updated as at September 2025
- Best Practice is to keep the Medium Term Finance Plan (MTFP) up to date, retaining funds to meet future redundancy costs

- Attend the staffing reduction panel where the following can happen:
  - Chaired by Strategic Finance Lead (Children's Services) and comprises of representatives from Finance, HR, School Improvement Service and the Education Reorganisation Officer
  - Head Teacher and Governor attend the meeting
  - Panel sits a number of times per academic year
  - Schools will be required to submit the business case and supporting documentation at least two weeks prior to the panel date
  - Supporting information will be expected, e.g. MTFP (before and after proposals), a class and staffing structure and staffing profiles
  - Places can be booked by contacting Education Reorganisation Officer: Ady Clarke (01522) 553216 [ady.clarke@lincolnshire.gov.uk](mailto:ady.clarke@lincolnshire.gov.uk)
- The link below will take you to the Schools Employment Manual on the Professionals website where you can read more information about the Managing Change Policy:

<https://professionals.lincolnshire.gov.uk/downloads/download/108/managing->

## Loan Scheme for Schools

- Operated by the LA
- Eligibility. All maintained schools are eligible to apply for a loan
- Types of loan available:
  - Cash Flow, (to meet temporary budget pressures).
  - Internal Loan Scheme (to secure extra funds for schools for improvement where school is not overspent).
  - Loans for Capital purposes (to fund capital works).
  - Rescheduling of existing loans (to replace existing commercial loans)
- Maximum loan available is limited to 10% of the school's current budget share. Exceptions may be made where the school can demonstrate the borrowing is prudent, affordable and sustainable. As directed by the Department for Education the County Council is unable to agree a loan for a school after the governing body or interim executive board has made an application to become a sponsored academy
- With the exception of capital loans all loans must be repaid as part of the academy conversion process should a school opt to become an academy
- Pro Forma to be completed for the chosen type of loan and supporting evidence submitted to demonstrate governors approval of the loan application and business case to show affordability of the loan
- Model for calculating repayments will be sent to school to give an indication of the repayment values of the loan once the school has entered the value of the loan and the number of years to be repaid
- The Loan Scheme for Schools policy can be found on Perspective Lite by following the below file path:

Schools Finance Team > Policies

## Reorganisational Policy

- The Local Authority has a statutory responsibility to provide sufficient places for pupils in Lincolnshire. The purpose of the policy is to allocate funding to the relevant sector. The LA will ask a school/academy to take in extra pupils above the Planned Admission Number (PAN) on a temporary or permanent basis.

The policy ensures schools receive funding to meet all reasonable additional costs

The funding will only be received if the increase has been agreed with the LA and not when the school decides to over offer without consulting the LA

- Individual policies for primary, secondary and special schools
- For permanent increases in the PAN for primary schools, pupil led funding will be paid for the additional pupils over the original PAN to the maximum of the revised PAN. Where a school has had to open an additional class as a result of the PAN change, provided the LA support the decision, a threshold of 23 pupils for reception and key stage 1 and 21 pupils for key stage 2, has been set. If the school numbers are below these thresholds then extra pupil led funding (ghost funding) will be allocated
- For temporary PAN expansions (over offer/bulge year) for primaries, the additional pupils over the PAN for the first year will be funded where an additional class is required. If the thresholds for reception, key stage 1 and key stage 2 have not been met then additional funding may be available
- For primary schools a class structure pro forma will need completing in September/October for calculating additional funding
- Funding may also be available for fixture and fittings for additional classroom costs.
- For secondary schools, the autumn pupil census is used to calculate the funding for a planned reorganisation. The LA will increase the pupil numbers to the new agreed PAN agreed with the school. Funding for permanent PAN expansions will be included in the original budget share, funding for temporary PAN expansions will be allocated mid-year. Fixtures and fittings funding is also available
- For special schools expansions, the LA will provide band funding using the schools average band value, for each new place created
- The links below will take you to the Lincolnshire.gov.uk website where you can read more information about the reorganisational policies for each sector:

<https://www.lincolnshire.gov.uk/downloads/file/3605/school-reorganisational-policy-primary-2018-19>

<https://www.lincolnshire.gov.uk/downloads/file/3606/school-reorganisational-policy-secondary-2018-19>

<https://www.lincolnshire.gov.uk/downloads/file/5534/school-reorganisational-policy-special-final>

## Accountability Framework

- As a result of prudent financial management, the majority of schools are in a strong financial position.
- This provides a strong platform from which to navigate the future challenges that will arise. Schools are operating in a challenging financial environment, driven by rising costs such as inflation (including staff pay rises), declining pupil numbers and tighter fiscal funding.

- This places an increasing importance on the need to continually strengthen financial management processes, so that schools retain effective oversight of their cost base and can plan use of resources accordingly.
- Therefore, to support an improvement in financial management standards, an Accountability Framework has been created which sets out the expectations placed on Schools, together with the support they can expect to receive from their finance business partners within the Schools Finance Team.
- The framework seeks to ensure the right level of school participation in financial management processes, supported by effective finance business partnering. This is a change for some schools but recognises that schools are best placed to influence their position and ensure their service can be delivered within their budget.
- The Framework can be found on Perspective Lite by following the below file path:

Schools Finance Team > Policies