



Llywodraeth Cymru
Welsh Government

Statutory guidance on schemes for financing local authority maintained schools

Guidance

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Statutory guidance on schemes for financing local authority maintained schools

Audience	This guidance is aimed at local authorities.
Overview	This document provides statutory guidance on schemes for financing local authority maintained schools.
Action required	<p>Local authorities must take this guidance into account when they revise their schemes, in consultation with the schools forum.</p> <p>This guidance should be read in conjunction with general guidance in relation to the School Funding, Budget Statements and Outturn Statements (Wales) Regulations 2026.</p>
Further information	<p>Enquiries about this document should be directed to: Education Infrastructure, Governance and Finance Division Education Directorate Welsh Government Cathays Park Cardiff CF10 3NQ e-mail: school.funding@gov.wales</p> <p> @WG_Education</p> <p> Facebook/EducationWales</p>
Additional copies	<p>This document can be accessed from the Welsh Government's website at https://www.gov.wales/consultations</p>
Related documents	<p>The School Funding, Budget Statements and Outturn Statements (Wales) Regulations 2026 School Standards and Framework Act 1998 Guidance for local authorities on the School Funding, Budget Statements, Outturn Statements (Wales) Regulations 2026</p>

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.
This document is also available in Welsh.

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1. Summary and changes

1.1 About this guidance

This is statutory guidance given by the Welsh Ministers pursuant to s.48(4) and paragraph 2A(2) of Schedule 14 to the [School Standards and Framework Act 1998](#) (SSFA 1998). It is statutory guidance and as such local authorities must have regard to it when revising their financial schemes.

Local authorities are required to publish schemes for financing schools, setting out the financial relationship between them and the schools they maintain (see Part 4 of the 2026 Regulations). This guidance lists the provisions which a local authority's scheme must, should or may include. Where "must" is used that refers to a legal obligation and is therefore a legal requirement. Where we refer to "should" or "may" this denotes advice only.

In making any changes to their schemes, other than directed revisions, local authorities must consult all maintained schools in their area and receive the approval of the members of their schools forum representing maintained schools. Local authorities must take this guidance into account when they revise their schemes, in consultation with the schools forum.

This guidance is not and does not purport to be a comprehensive statement of the law and so should not be taken to be advice as to what the law requires.

The guidance is aimed at local authorities. However, they should seek their own legal advice as to what the law requires.

Local authorities must comply with the procurement Act 2023 and legislation made under it. The relevant guidance is [Procurement Act 2023: guidance documents | GOV.WALES](#).

1.2 Directed revisions

The Welsh Ministers may by a direction revise the whole or any part of the scheme as from such date as may be specified in the direction (see paragraph 2A(4) of Schedule 14 to the SSFA 1998). To make a directed revision to schemes, the Welsh Ministers are required, by provisions in the SSFA 1998, to consult the relevant local authorities and other interested parties.

1.3 Changes to the required contents of, and publication of, financial schemes

Schedule 4 to the 2026 Regulations make a number of amendments to the required contents of financial schemes, these include:

- A new requirement regarding publication of the scheme.
- A requirement to include the expenditure headings within the Schools Budget that are retained by the local authority (paragraph 2).
- An amendment to the threshold defining an excess surplus (paragraph 20).
- A new provision around how the local authority will monitor surpluses (paragraph 21).
- A new provision concerning "deficit recovery plans" (paragraph 23).
- The inclusion of any scale the local authority uses to protect a school whose funding would otherwise reduce by more than 5% in two successive years (paragraph 33).

2. The outline scheme

We use the following references throughout this statutory guidance:

- “the authority” is the local authority
- “the 2026 Regulations” are The School Funding, Budget Statements and Outturn Statements (Wales) Regulations 2026.

The 2026 Regulations state that financial schemes must deal with the following matters:

1. The carrying forward from one funding period to another of surpluses and deficits arising in relation to schools’ budget shares
2. The identification of all the classes or descriptions of expenditure which form part of the local authority’s schools budget but will not form any part of the individual schools budget and will instead be retained by the local authority
3. Amounts which may be charged against schools’ budget shares
4. Amounts received by schools which may be retained by their governing bodies and the purposes for which such amounts may be used
5. The imposition, of conditions, including conditions prescribing financial controls and procedures, by or under the financial scheme which must be complied with by schools in relation to the management—
 - (a) of their delegated budgets, and
 - (b) of sums made available to governing bodies by the local authority which do not form part of delegated budgets
6. Terms on which services and facilities are provided by the local authority for schools maintained by it
7. The payment of interest by or to the local authority
8. The times at which amounts equal in total to the school’s budget share are to be made available to governing bodies and the proportion of the budget share to be made available at each such time
9. The virement between budget heads within the delegated budget
10. Circumstances in which a local authority may delegate to the governing body the power to spend any part of the authority’s non-schools education budget or schools budget in addition to those set out in section 49(4)(a) to (c) of the act
11. The use of delegated budgets and of sums made available to a governing body by the local authority which do not form part of delegated budgets
12. Borrowing by governing bodies
13. The banking arrangements that may be made by governing bodies
14. A statement as to the personal liability of governors in respect of schools’ budget shares having regard to section 50(7) of the SSFA 1998
15. A statement as to the allowances payable to governors of a school which does not have a delegated budget in accordance with the financial scheme made by the local authority for the purposes of section 519 of the Education Act 1996
16. The keeping of a register of any business interests of the governors and the headteacher
17. The provision of information by and to the governing body
18. The maintenance of inventories of assets
19. Plans of a governing body’s expenditure
20. A statement as to the use that a governing body proposes to make of any surplus brought forward from the funding period immediately preceding the current funding period where that surplus exceeds 5% of the school’s budget share in the current funding period
21. A statement setting out how the local authority will monitor the use by a governing body of the surplus included in any statement made under paragraph 20
22. A provision under which

- (a) the local authority may direct a governing body as to how to spend any surplus brought forward from the previous funding period in the school balance for a funding period, if the surplus exceeds 5% of the school's budget share, and
 - (b) the local authority may, if a governing body does not comply with such a direction, require the governing body to pay all or part of that surplus to the local authority to be applied as part of their schools budget for the funding period in question
23. (1) A provision requiring a governing body to submit to the local authority for approval by the local authority a plan to recoup any deficits arising in relation to schools' budget shares ("deficit recovery plan")
- (2) A statement setting out in relation to a draft deficit recovery plan—
- (a) by when a draft plan must be submitted by the governing body to the local authority for approval,
 - (b) the details including the address of where a deficit recovery plan should be sent by the governing body,
 - (c) the form and matters to be dealt with in a deficit recovery plan,
 - (d) the duration of a draft deficit recovery plan,
 - (e) how long the local authority may take to consider a draft deficit recovery plan,
 - (f) the consequences of not submitting a draft deficit recovery plan to the local authority,
 - (g) any requirements to review and amend the approved deficit recovery plan, and
 - (h) the consequences of not complying with an approved deficit recovery plan.
24. A statement as to the taxation of sums paid or received by a governing body
25. Insurance
26. The use of delegated budgets by governing bodies to satisfy the local authority's duties imposed by or under the Health and Safety at Work etc Act 1974
27. The provision of legal advice to a governing body
28. Funding for child protection issues
29. School meals
30. How complaints by persons working at a school or by governors about financial management or financial propriety at the school will be dealt with and to whom such complaints should be made
31. Expenditure incurred by a governing body in the exercise of the power conferred by section 27 of the Education Act 2002 (power of governing body to provide community facilities etc.)
32. Provision by governing bodies of returns and information for teacher pensions' purposes
33. The scale the local authority is required to publish under regulation 21(4) (of the 2026 Regulations)

3. Introduction

3.1 The role of the scheme

The scheme should contain a paragraph which explains the role of the scheme itself. This should explain that the scheme sets out the financial relationship between the local authority and the maintained schools which it funds. It should make it clear that the scheme contains requirements relating to financial management and associated issues, binding on both the local authority and on schools.

The scheme should have an introductory section which describes the main features of the current funding framework. This should include descriptions of the non-schools education budget; the schools budget; the individual schools budget; the retained individual schools budget; and the school budget share. A specimen description is at Annex A. This may be amended, added to or replaced by a different version, but the scheme should aim for at least this level of detail.

3.2 Application of the scheme to the local authority and maintained schools

As a description of its institutional coverage, the scheme should state that it applies in respect of all community, nursery, voluntary, foundation, community special or foundation special schools maintained by the local authority. The schools which the local authority will be maintaining should be listed for information in an annex to the scheme.

3.3 Publication of the scheme

The publication requirements are contained in the 2026 Regulations. They make clear that, 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. An electronic copy must also be sent to the governing body and headteacher of each school maintained by the local authority.

3.4 Revision of the scheme

Any revisions to the scheme must be consulted on. The scheme should contain a statement that any proposed revisions to the scheme will be the subject of consultation with the governing body and the headteacher of every school maintained by the local authority before they are submitted to the schools forum for their approval.

All proposed revisions must be submitted to the schools forum for approval by members of the forum representing maintained schools. Where the schools forum does not approve them or approves them subject to modifications which are not acceptable to the local authority, the authority may apply to the Welsh Ministers for approval.

It is also possible for the Welsh Ministers to make directed revisions to the whole or any part of the scheme after consultation with the relevant local authority and other interested parties. Such revisions become part of the scheme from the date of the direction.

3.5 Delegation of powers to the headteacher

The scheme should require the governing body to consider the extent to which it wishes to delegate its financial powers to the headteacher, and to record its decision (and any revisions) in the minutes of the governing body.

The scheme should state the responsibilities of the headteacher and governing body in respect of the annual budget plan; the first formal budget plan of each financial year must be approved by the governing body, or by a committee of the governing body.

It is open to the local authority to suggest to schools what might be a desirable level of delegation to headteachers, but the scheme must not seek to impose any particular level of delegation.

3.6 Maintenance of schools

The scheme should have a provision stating that the local authority is responsible for maintaining the schools covered by the scheme, and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary aided school where some of the expenses are, by statute, payable by the governing body). Part of the way a local authority maintains schools is through the funding system put in place under sections 45 to 53 of the Act.

4. Financial controls

4.1 General procedures

4.1.1 Application of financial controls to schools

The scheme should contain a general provision requiring schools, in the management of their delegated budgets, to abide by the local authority's requirements on financial controls and monitoring, not only those in the scheme but also those requirements contained in more detailed publications referred to in the scheme. The scheme will prevail over any other rules or regulations made by the authority which relate to the funding or financial management of schools which they maintain.

The local authority's requirements can differ for schools with their own bank accounts.

4.1.2 Provision of financial information and reports

The scheme should contain a provision requiring schools to provide the local authority with details of anticipated and actual expenditure and income, in a form and at times determined by the authority. However, the scheme should not require submission of such details more often than once every 3 months except for those connected with tax or banking reconciliation; unless the local authority has notified the school in writing that in its view the school's financial position requires more frequent submission or the school is in its first year of operation.

The scheme should also make clear that the restriction to a minimum 3-month interval does not apply to schools which are part of an on-line financial accounting system operated by the local authority.

This is different from a requirement for annual budget plans.

4.1.3 Payment of salaries and payment of bills

The scheme may have a provision which applies separately published administrative procedures for these. Those procedures will vary according to the position on delegation of funds and any buyback of services which is in place.

4.1.4 Control of assets

The scheme must contain a provision requiring each school to maintain an inventory of its moveable non-capital assets (see paragraph 18 of Schedule 4 to the 2026 Regulations). This should be in a form to be determined by the authority and setting out the basic authorisation procedures for disposal of assets. However, schools should be free to determine their own arrangements for keeping a register of assets worth less than £1,000. The scheme should encourage schools to register anything that is portable and attractive, such as a camera. They should keep a register in some form. This register must satisfy any requirement stipulated by insurers.

Although authorities can determine the form of inventory for items above the £1,000 threshold, they may instead determine simply that schools should follow guidance rather than a rigid format.

4.1.5 Accounting policies, including year-end procedures

The scheme should have a provision requiring schools to abide by procedures issued by the local authority for this.

4.2 Basis of accounting

The scheme may contain a provision requiring that reports and accounts furnished to the local authority be on either a cash or accruals basis. The scheme however must not seek to impose either system on schools' internal systems.

The intention behind this provision is to ensure that although local authorities should be able to have reports furnished on the basis they need, they should not be able to dictate to schools how they organise their accounts. This means in particular that schools should be able to use what financial software they wish, provided they meet any costs of modification to provide output required by the local authority.

4.3 Submission of budget plans

The scheme must contain a provision requiring each school to submit a plan to the authority showing its intentions for expenditure in the current financial year(see paragraph 19 of Schedule 4 to the 2026 Regulations). This should include a stipulated date by which the plan must be submitted and the assumptions underpinning the budget plan. The provision may require the submission of revised plans throughout the year, but only where the circumstances justify, for example, where a school is in significant financial deficit.

Authorities may include a requirement that provisional budget plans be submitted by a certain date; but these must be differentiated from the formal budget plan which cannot be required before 1 May.

The stipulated date for the submission of the formal plan should not be earlier than 1 May or later than 30 June. The intervals at which revisions may be required should not be less than once every 3 months. The format of the plan is to be specified by the authority in a separate publication. Authorities may wish to give guidance to schools on assumptions likely to be the same for all schools e.g. on inflation.

The scheme must also contain a provision binding the authority to supply schools with all school income and expenditure data which it holds which is necessary to efficient planning by schools, and supply schools with an annual statement showing when this information will be provided through the year.

The scheme must contain a provision which requires schools to take full account in their plan of deficits and surpluses at the end of the previous funding period.

4.4 School resource management

The scheme must include the following provision, which imposes a requirement on schools to manage their resources to maximise pupil outcomes.

Schools must seek to achieve effective management of resources and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the local 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 the effective management of resources between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements.

4.5 Virement

The scheme should contain a provision allowing schools to vire freely between budget heads in the expenditure of their budget shares.

4.6 Audit of voluntary and private funds

A scheme should contain a provision requiring schools to provide audit certificates in respect of voluntary and private funds held by schools, and of the accounts of any trading organisations controlled by the school.

The purpose of such a provision is to allow the local authority to satisfy itself that public funds are not being misused.

Local authorities must not seek to impose through the scheme a right to audit such funds themselves or otherwise access the accounts of private funds. We do not believe that such access is required, or that the scheme can bestow it.

A school refusing to provide audit certificates to the local authority as required by the scheme is in breach of the scheme and the authority can take action on that basis. Access to the accounts of such funds by other agencies is a matter for them. Any other requirement as to audit of such funds is a matter for those making the funds available, and any Charity Commission requirements.

4.7 Register of business interests

The scheme must contain a provision which requires the governing body of each school to maintain a register which lists business interests for each member of the governing body and the headteacher or any member of their immediate family (see paragraph 16 of Schedule 4 to the 2026 Regulations).

The local authority may issue more detailed guidance on the maintenance of such a register.

4.8 Purchasing, tendering and contracting requirements

The scheme should contain a provision which requires schools to abide by the local authority's financial rules and standing orders in purchasing, tendering and contracting matters. This should include a requirement to assess in advance the professional competence of any contractors in areas such as compliance with health and safety regulations, safeguarding practices and so on, taking account of the local authority's policies and procedures.

However, the scheme should also contain a provision which has the effect of disapplying from schools any provision of those rules or standing orders which would:

- a. require them to do anything incompatible with any of the provisions of the scheme, or any statutory provision,
- b. require them to obtain local authority countersignature for any contracts for goods or services for a value below £60,000 in any one year;
- c. require them to select suppliers only from an approved list;

- d. permit them to seek fewer than three tenders or quotations in respect of any contract with a value exceeding £10,000 in any one year.

An authority may stipulate a higher threshold in its scheme.

There is no objection to authorities issuing lists of approved suppliers; but schools must not be compelled either directly or indirectly to use them. Authorities may wish to point out the advantages of using lists of approved suppliers, e.g. assurance on health and safety issues.

The fact that a local authority contract has been let in accordance with procurement procedures does not in itself make it possible to bind a school into being part of that contract. For the purposes of the procurement procedures, schools are viewed as discrete contracting authorities.

The countersignature requirement should be applied sensibly by local authorities and schools alike, avoiding attempts to artificially aggregate or disaggregate orders to avoid or impose the requirement.

4.9 Application of contracts to schools

The scheme should contain a provision which makes clear the right of schools to opt out of local authority arranged contracts except where the scheme provides otherwise.

The scheme should include a provision which makes clear that although governing bodies are empowered under paragraph 3 of Schedule 1 to the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the local authority as maintainer of the school and the owner of the funds in the budget share (this is the main reason for allowing authorities to require authority counter-signature of contracts exceeding a certain value).

The provision should also however make clear that other contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations; for example, contracts made by aided or foundation schools for the employment of staff.

4.10 Central funds and ringfencing

The scheme must contain a general provision authorising the local authority to make sums available to schools from central funds, in the form of allocations which are additional to and separate from the schools' budget shares (see paragraph 10 of Schedule 4 to the 2026 Regulations). The scheme should stipulate that such allocations should be subject to conditions setting out the purpose or purposes for which the funds may be used; this should not be carried to the point of assimilating the allocations into the school's budget share.

Such allocations might, for example, be sums for additional learning needs or other initiatives funded from the central expenditure of a local authority's schools budget or other authority budget.

The scheme should contain a requirement that such ringfenced funding from centrally retained funds is spent only on the purposes for which it is given, or, should the local authority wish to so permit, on other budget heads for which ringfenced funding is given and that it is not vired into the budget share. There should be an accounting mechanism for schools to be able to demonstrate that this requirement has been complied with.

The local authority may include a requirement that ringfenced funds must be returned to the authority if not spent in-year, or within the period over which schools are allowed to use the funding if different.

The scheme should include a provision barring the local authority from making any deduction, in respect of interest costs to the authority, from payments to schools of devolved specific grant.

4.11 Spending for the purposes of the school

Although section 50(3) of the SSFA 1998 allows governing bodies to spend budget shares for the purposes of the school, this is subject to regulations made by the Welsh Ministers and any provisions of the scheme.

4.12 Capital spending from budget shares

The scheme should contain a provision specifically allowing governing bodies to use their budget shares to meet the cost of capital expenditure on the school premises. This includes expenditure by the governing body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 to the SSFA 1998.

However, the local authority may if it wishes stipulate that if there is expected capital expenditure from the budget share the governing body must notify the authority; and that it must take into account any advice from the Chief Education Officer as to the merits of the proposed expenditure if it exceeds the figure of £15,000 (or some higher sum).

The scheme may specify that if the premises are owned by the local authority, or the school has voluntary controlled status, then the governing body should seek the consent of the authority to the proposed works, but such consent can be withheld only on health and safety grounds.

The reason for these provisions is to help meet responsibilities with the Education (School Premises) Regulations 1999, the Workplace (Health, Safety and Welfare) Regulations 1992, the Regulatory Reform (Fire Safety) Order 2005, the Equality Act 2010, and the Building Regulations 2010.

Where any cash values appear in schemes local authorities may wish to update them when they revise the scheme.

These provisions would not affect expenditure from any capital allocation made available by the local authority outside the delegated budget share.

4.13 The timing of budget shares in general

Section 50(2) of the Act provides that local authorities shall make budget shares available at times and in such a manner as prescribed by the scheme.

For schools operating their own bank account for the management of their delegated budgets, the requirement regarding the timing of instalments of the budget share are set out in section 5.

For schools using a bank account of the authority for the management of their delegated budgets, the full budget share would usually be available to them on 1 April of the financial

year, however whatever the arrangement is must be set out in the scheme. It would however be highly imprudent of a school not to spread its expenditure over the full financial year, as by far its biggest cost is salaries which are almost always paid monthly.

4.14 Notice of concern

The scheme should include a provision that allows the local authority to issue a notice of concern to any of its maintained schools. For further information please refer to the [Welsh Government's statutory 'Schools Causing Concern' Guidance](#).

The local authority may issue a notice of concern to the governing body of any school it maintains where 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.

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 to improve their financial management to avoid withdrawal.

Where a local authority issues a notice of concern the scheme should provide for the notice to be withdrawn once the governing body has complied with the requirements it imposes.

In placing this provision in their scheme, a local authority may wish to consider the way in which a dispute between it and the school it is issuing a notice to regarding any aspect of the notice may be resolved.

4.15 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 headteacher 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 those controls. This information must also be included in the induction for new school staff and governors.

5. Schools operating a bank account for the purpose of expending the budget share

5.1 Frequency of instalments

The scheme must contain a provision which sets out the frequency with which the budget share will be made available to governing bodies (see paragraph 8 of Schedule 4 to the 2026 Regulations). This should be at least once a term. Furthermore, the scheme should require the local authority to make available budget share instalments on a monthly basis to schools which so request it; but the request should be made prior to the start of the relevant financial year.

If a local authority is administering payroll for a school, the authority can ask the school concerned to consider whether it actually needs to take up the option, granted under the scheme, of receiving funds gross of salary costs.

5.2 Proportion of budget share payable at each instalment

The scheme should make clear on what basis the proportion of the budget share will be made available to schools, both in relation to the inclusion of estimated pay costs and any weighting which means that instalments are not of equal size.

Where monthly instalments are made available, the scheme should allow schools to opt for instalments of the total budget share to be made available to them by payment into a school bank account, although budget shares net of estimated pay costs can be offered monthly as well.

The scheme should also set out the way in which the local authority will calculate the initial estimate of pay costs. This can be different for different sizes of school or for primary and secondary schools, but may not differentiate between categories of school, except where the estimate takes account of information supplied by individual schools.

Any differential weighting of termly or monthly instalments is a matter for local authority discretion provided the weighting is reasonable.

Schemes may make different provisions as to frequency and proportion of instalments for schools with bank accounts and those without.

Schemes may provide that instalments are only payable where a school has correctly submitted to the local authority any related financial information, e.g. budget plans, anticipated and actual expenditure and income, VAT returns. It is imperative that a school demonstrates sound financial management if it operates a bank account for the expending of its budget share.

5.3 Interest clawback

The scheme may provide for the local authority to deduct from budget share instalments an amount equal to the estimated interest lost by the authority in making available the budget share in advance.

Where such provision is made the scheme should explain the justification for a clawback and clearly show the calculation basis of the deduction, taking account of the frequency options offered by the scheme.

The precise methodology for clawback calculations is for the local authority to determine, provided it is simple to understand and does not go further than recovering lost interest. Where the whole budget share is to be paid into accounts on a monthly basis, payment at a date close to that on which salaries are due will act to reduce loss of interest.

5.4 Interest on late budget share payments

The scheme should include a provision requiring the local authority to add interest to late payments of budget share instalments, where such late payment is the result of authority error.

The interest rate used should be that used for clawback calculations or if no such clawback mechanism is in place, at least the current Bank of England base rate.

5.5 Budget share payments for closing schools

The scheme may provide for budget shares of schools for which approval for discontinuation has been secured, to be made available until closure on a monthly basis net of estimated pay costs (if appropriate), even where some different basis was previously used.

5.6 Bank and building society accounts

The scheme should permit all maintained schools to have external bank accounts into which their budget share instalments are paid.

The scheme should also provide that where schools have such accounts, they shall be allowed to retain all interest payable on the account unless they choose to have an account within a local authority contract which makes other provision.

The scheme may provide that schools without bank accounts cannot have one until any deficit balance is cleared.

Schemes should include a provision stipulating that if a school opens an external bank account the local authority must, if the school desires, transfer immediately to the account an amount agreed by both school and authority as the estimated surplus balance held by the authority in respect of the school's budget share, on the basis that there is then a subsequent correction when accounts for the relevant year are closed.

Schemes can require all schools to have such accounts, but there is no expectation that this would normally be the case.

Bank accounts as referred to here do not include imprest accounts, although there is nothing to prevent local authorities offering imprest accounts to schools as an alternative.

5.7 Restrictions on accounts

The scheme may specify which banks or building societies accounts may be held with for the purpose of receiving budget share payments. The approved list should be consistent with the local authority's treasury management policy.

The scheme must allow schools to have accounts for budget share purposes which are in the name of the school rather than the local authority. However, if a school has such an account the scheme should require that the account mandate provides that the local 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.

The authority can continue to have arrangements negotiated with certain banks whereby the accounts are in the name of the local authority but specific to each school and offer such arrangements to schools.

Budget share funds paid by the local authority and held in school accounts remain authority property until spent.

Schemes may contain a provision restricting the signatories for bank accounts, but such provisions should allow at least local authority employees and school employees to be signatories.

Such a provision should not be limited to local authority employees only, because this is not practicable for foundation or aided schools. Schemes may bar governors who are not members of staff from being signatories.

The scheme must not contain provisions restricting the use of direct debits or standing orders for a bank account operated by a school, except where the account is part of a local authority contract.

6. The treatment of surplus and deficit balances arising in relation to budget shares

6.1 Right to carry forward surplus balances

The scheme must contain a provision which requires schools to carry forward from one financial year to the next any shortfall in expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year.

The scheme should explain the basis on which the amount of any balance to be transferred to a school's bank account would be calculated on a provisional basis for a school having a new bank account, and the date by which the transfer would occur, pending a later reconciliation.

The amount of a surplus balance would be shown in the relevant outturn statement set out in the 2026 Regulations, although there may be commitments against any figure shown in such a statement.

6.2 Controls on surplus balances

The scheme must include a provision which requires governing bodies to report to the authority on the use which the school intends to make of surplus balances, in cases where the surplus brought forward from the funding period immediately preceding the current funding period where that surplus exceeds 5% of the school's budget share in the current funding period. The provision may include that a budget plan which brings the surplus to less than 5% by the end of the first year would suffice.

A scheme must include a statement setting out how the local authority will monitor the use by a governing body of the surplus. The purpose of such provision is to allow authorities to monitor excessive balances, not institute a general regime of control. There is no intention to cap balances or take them into account in calculating budget shares.

The scheme must contain a provision under which the local authority can direct a governing body to spend a surplus, which is over 5% of the schools budget share(see paragraph 22 of Schedule 4 to the 2026 Regulations).

The scheme must also contain a provision to claw back excess surplus balances, if a governing body does not comply with a direction to spend.

Any mechanism should have regard to the principle that schools should be moving towards greater autonomy, should not be constrained from making early efficiencies to support their medium-term budgeting in a tighter financial climate, and should not be burdened by bureaucracy.

The mechanism should, therefore, be focused on only those schools which have built up significant excessive uncommitted balances or where some level of redistribution would support improved provision across a local area.

The 2026 Regulations provide local authorities with the ability to take certain specific action when school surpluses reach certain levels.

When a surplus balance held by a school at the start of a financial year exceeds 5% of that school's budget share for that financial year, the local authority can direct the school to spend that element of the surplus which exceeds 5%. Any direction should be clear and time-limited. The authority can, if the governing body does not comply with such a direction within the stipulated time, require the governing body to pay all or part of that element surplus to the authority to be applied as part of its schools budget for the funding period in question.

The level provided in the 2026 Regulations is a trigger point above which action can be taken, not where it must be taken.

Schools with a surplus balance should be able to justify their plans for their whole balance, not just the amount they are over the threshold, or they may be subject to action.

If a school has a specific and meaningful plan to spend a surplus within a reasonable period of time, it should be allowed to keep that surplus for the time being. Such plans however must be good and stand up to scrutiny.

How this process is managed is for local decision. Each local authority must, with its schools, develop an appropriate policy framework for its own needs (see paragraphs 20 to 22 of Schedule 4 to the 2026 regulations). Work on surplus balances should not be seen as just a year-end issue. Instead, it is recommended to be integrated with multi-year school budget planning and in-year monitoring. Schools with surpluses already above the threshold should be subject to ongoing monitoring to ensure that approved plans to spend their balances are delivered, or the excessive surplus is otherwise clawed back. Schools and local authorities should start their planning as early as possible in the year, so that they know well before the year end if a school is likely to be subject to discussions about a surplus. Whatever process is agreed locally, timescales should be clearly defined and shared with schools. Monies should only be classed as committed if the school can provide evidence to show that they:

- have been set aside for a specific purpose,
- will be spent within a defined timescale with a fixed end point and
- have been properly approved by governors.

Committed sums should be planned for and should not simply be used as an explanation for a large balance. Schools should provide evidence of planning, such as details of projects in an Asset Management Plan or School Development Plan, along with minutes of governors' meetings. If a local authority wants to agree with the school a plan to reduce its surplus which included a staged reduction that would be up to the authority. This would be much like the arrangements for bringing a school in deficit back to balance but in reverse. The authority would need to set these things out in their policy.

The following are acceptable reasons for holding large balances:

- Where there is expenditure which has been committed by the end of the financial year by placing orders or employing staff prior to that date but has not been charged to the previous financial year.
- Where expenditure has been set aside to meet necessary additional costs of an approved scheme within the capital programme, such as furnishing a new classroom.
- Where expenditure has been set aside for capital work which accords with the Council's Asset Management Plan priorities and there is an agreed timetable for the work.
- Where funding has been set aside to meet the costs of maintaining curriculum organisation for a single year group with reduced pupil numbers as it progresses through the school.

- Where it is planned to avoid staffing reductions for the summer term so as to provide stability for pupils for the remainder of the academic year.

The following should **not** be acceptable reasons for holding large balances:

- Retaining significant funding to cushion the budget against future falls in pupil numbers, where balances would remain above the threshold at the end of a 3-year period starting with the following financial year.
- Carrying forward accumulative surplus balances.
- Capital projects which have not been clearly defined and/or do not comply with Asset Management Plan priorities.

6.3 Interest on surplus balances

Schemes must contain a provision which makes it clear whether balances held by the local authority on behalf of schools will attract interest (see paragraph 7 of Schedule 4 to the 2026 Regulations). If such balances do attract interest the scheme itself may show the basis of calculation, or there may be reference to separate guidance issued from time to time.

6.4 Obligation to carry forward deficit balances

The scheme must contain a provision which has the effect of carrying forward deficit balances.

The deficit balance would be shown on the outturn statement set out in 2026 Regulations; although this might be shown gross of committed expenditure and therefore appear lower than would otherwise be the case.

6.5 Deficit budget plans

The scheme must include a provision that requires schools to submit a recovery plan to the local authority as soon as they report a financial deficit. The legal requirements surrounding a deficit plan are set out in paragraph 23 of Schedule 4 to the 2026 Regulations.

The scheme may refer to other guidance on the operation of the deficit arrangement, however the provision in the scheme in relation to a draft deficit recovery plan must state as a minimum:

- a. by when a draft plan must be submitted by the governing body to the local authority for approval,
- b. the details including the address of where a deficit recovery plan should be sent by the governing body,
- c. the form and matters to be dealt with in a deficit recovery plan,
- d. the duration of a draft deficit recovery plan
- e. how long the local authority is allowed to take to consider a draft deficit recovery plan,
- f. the consequences of not submitting a draft deficit recovery plan to the local authority,
- g. any requirements to review and amend the approved deficit recovery plan, and
- h. the consequences of not complying with an approved deficit recovery plan.

The scheme should also include the:

- purposes for which the deficit arrangement may be agreed,
- maximum size of the deficits which may be agreed; this may be by reference to the size of the budget share and/or in cash terms,
- role of the Chief Education Officer and the Chief Finance Officer of the Local Authority in agreeing any arrangements for individual schools.

The duration of a deficit recovery plan should be as short as practically possible but in any case should not exceed 5 years.

This provision should ensure that appropriate monitoring of a school's budget takes place and that support is provided in a timely manner. Balances held by a school in an external bank account remain the property of the local authority, if made available by the authority initially, and therefore may legally be taken into account by the authority in assessing the total level of licensed deficit which it might wish to make to schools.

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.

6.6 Charging of interest on deficit balances

The scheme may contain a provision permitting the local authority to charge interest on deficit balances. If so the basis on which interest is charged must be made clear in the scheme itself.

6.7 Writing off deficits

The scheme should contain a provision which makes it clear that the local authority cannot write off the deficit balance of any school.

6.8 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, a 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 over from previous funding periods, of the closing school for the funding period in which it closes.

6.9 Loan schemes

It is open to a local authority to include in its scheme a form of loan arrangement for schools that does not operate by way of a licensed deficit, but rather by way of actual payments to schools or expenditure by the authority in respect of a particular school on condition that a corresponding sum is repaid from the budget share.

Again, a local authority may wish to invite schools with balances in external accounts to use some or all of those balances to back a loan scheme, and the scheme should make clear on what basis this would occur.

If there is a loan scheme on this basis the local authority must show in its budget statements the amount centrally retained for what would be a devolved payment to schools, and the payment should appear in the outturn statements.

Loans must only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year.

Loans must not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income.

7. Income

The basic principle to which schemes should adhere is that schools should be able to retain income except in the following specified circumstances.

7.1 Income from lettings

The scheme should contain a provision which allows schools to retain income from lettings of the school premises which would otherwise accrue to the local authority, subject to alternative provisions arising from any private finance agreements.

The scheme should expressly allow schools to cross-subsidise lettings for community and voluntary use with income from other lettings, provided the governing body is satisfied that this will not interfere 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.

However, schools should be required to have regard to directions issued by the local authority as to the use of school premises, as permitted under the act for various categories of schools.

Income from lettings of school premises should not normally be payable into voluntary or private funds held by the school. However, where land is held by a charitable trust, it will be for the trustees to determine the use of any income generated by the land.

7.2 Income from fees and charges

The scheme should contain a provision allowing schools to retain income from fees and charges except where a service is provided by the local authority from centrally retained funds. However, schools should be required to have regard to any policy statements on charging produced by the local authority.

Income from boarding charges is collected on behalf of the local authority and should not exceed that needed to provide board and lodging for the pupils concerned.

7.3 Income from fund-raising activities

The scheme should contain a provision which makes it clear that schools are allowed to retain income from fund-raising activities, but that any such income should be used for the purposes of the school.

7.4 Income from the sale of assets

The scheme should contain a provision which allows schools to retain the proceeds of sale of assets, except in cases where the asset was purchased with non-delegated funds (in which case it should be for the local authority to decide whether the school should retain the proceeds), or the asset concerned is land or buildings forming part of the school premises and is owned by the authority.

The retention of proceeds of sale for premises not owned by the local authority will not be a matter for the scheme.

7.5 Purposes for which income may be used

The scheme may have a provision that income from sale of assets purchased with delegated funds may only be spent for the purposes of the school.

7.6 Administrative procedures for the collection of income

The scheme may have a provision which applies separate rules on this to schools, but only for income which accrues to the local authority; for example, where a school has contracted with the council meals service.

The local authority may wish to take advice from its local VAT business advice centre as to whether schools should charge VAT on lettings and on the services which lead to fees and charges and on the VAT implications of fund-raising activities and sale of assets.

8. Expenditure headings in the schools budget retained by the authority

The scheme must have a provision setting out the expenditure headings within the schools budgets that are retained by the authority. Any expenditure headings within the schools budget that is not included in this provision becomes part of the authority's individual schools budget. The expenditure headings within the schools budgets that may be retained by the authority are set out in schedule 3 of the 2026 Regulations.

This will ensure transparency around which expenditure headings a local authority is choosing to delegate and which are being retained by the local authority.

Any item listed in this provision must be listed in Schedule 3 of the 2026 Regulations, however, the principle should be that items retained centrally by the local authority to spend on supporting schools, rather than delegated to schools (ISB) should be expenditure items considered potentially unsuitable for delegation as being outside the influence of a headteacher or governing body; too bureaucratic; having unacceptable levels of risk; benefiting from economies of scale; requiring specific professional expertise or; complex by their nature.

9. The charging of school budget shares without the consent of the governing body

9.1 General provision

The scheme should contain a provision which allows the budget share of a school to be charged by the local authority without the consent of the governing body only in circumstances expressly permitted by the scheme and requires local authorities to consult schools as to the intention to so charge and notify schools when it has been done.

Schemes may provide for a disputes procedure for such charges.

Although the right of local authorities to protect their financial position from liabilities caused by the action or inaction of governing bodies by charging budget shares is well established, the policy intention is to ensure that schools are clearly aware of the circumstances in which this may happen.

Schemes must therefore list the circumstances in which such charging is permitted. The main ones are given below, and local authorities may add others or omit some if they consider them unnecessary (see paragraph 3 of Schedule 4 to the 2026 Regulations).

It may be useful to remind schools that the local authority cannot act unreasonably in the exercise of any power given by the scheme, or it may be the subject of a direction under section Part 2 of the School Standards and Organisation (Wales) Act 2013.

For each of these circumstances the local authority would have to be able to demonstrate that they had necessarily incurred the expenditure now charged to the budget share. This means that where the local authority cannot incur a liability because the statutory responsibility rests elsewhere, no charging is possible. Therefore, the position on charging will vary between categories of school.

In some cases, the ability to charge budget shares depends on the local authority having given prior advice to the governing body. Local authorities need to ensure that they have taken steps that enable them to give advice whenever possible and may wish to remind schools of this.

9.2 Charging of salaries at actual cost

Where the local authority provides the payroll service for schools, the scheme should have a provision which requires the local authority to charge salaries of school-based staff to school budget shares at actual cost.

9.3 Circumstances in which charges may be made if stipulated within the scheme

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.
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 individual development plan (IDP) where the governing body of a school fails to secure such provision despite the delegation of relevant funds.
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 or federation arrangement, for example where this has funded staff providing services across the cluster or federation.

10. Taxation

10.1 Value Added Tax (VAT)

The scheme should include a provision which summarises the procedure schools should follow to be able to utilise the local authority's ability to reclaim VAT on expenditure relating to non-business activity. The provision should stipulate that amounts so reclaimed will be passed back to the school.

The provision would normally refer to more detailed separate guidance. Detailed guidance issued by the local authority should make clear what the normal timescale for reimbursement is.

HMRC has agreed that VAT incurred by schools when spending any funding made available by the local authority is treated as being incurred by the authority and qualifies for reclaim by the authority.

This does not include expenditure by the governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings.

Local authorities may find it useful to consult local VAT business advice centres on issues regarding VAT reimbursement.

10.2 Construction Industry Scheme (CIS)

The scheme should contain a provision requiring schools to abide by procedures issued by the local authority in connection with CIS.

10.3 Employment Status Determination (IR35)

The scheme should contain a provision requiring schools to abide by procedures issued by the local authority in connection with IR35.

11. The provision of services and facilities by the local authority

11.1 Provision of services from centrally retained budgets

The scheme must contain a provision which makes it clear that it is for the local authority to determine on what basis services from centrally retained funds will be provided to schools (see paragraph 6 of Schedule 4 to the 2026 Regulations).

The provision should be drawn in a way that clearly encompasses existing premature retirement costs and redundancy payments, which may not ordinarily be thought of as services.

The scheme should contain a provision barring the local authority from discriminating in its provision of services on the basis of categories of schools, except where this would be permitted under the 2026 Regulations.

11.2 Provision of services bought back from the local authority using delegated budgets

The scheme should contain a provision limiting the term of any arrangement with a school to buy services or facilities from the local authority to a maximum of 3 years from the date of the agreement extensions thereto. An arrangement giving the school the option of exiting the arrangement by virtue of an exit clause which would entitle the school to leave the arrangement within a maximum of 3 years will be deemed to be compliant with the maximum limit. There is no minimum period.

The scheme should contain a provision which requires that when a service is provided for which expenditure is not retainable centrally by the local authority under the regulations made under section 45A of the SSFA 1998 (i.e. the 2026 Regulations), it should be offered at prices which are intended to generate income which is no less than the cost of providing those services.

The total cost of the service should be met by the total income, even if schools are charged differentially.

It is recognised that absolute break-even is not always achievable over fixed financial years; it is for the local authority to show during audit tests that the charging policy can reasonably be expected to avoid central subsidy of services.

11.3 Packaging

The scheme should contain a provision to the effect that any service which a local authority is providing on a buyback basis must be offered in a way which does not unreasonably restrict schools' freedom of choice among the services available, and where practicable, this will include provision on a service-by-service basis as well as in packages of services.

This provision would not prevent local authorities offering packages of services which offer a discount for schools taking up a wider range of services, but authorities are encouraged to offer services singly as well as in combination.

11.4 Service level agreements

The scheme should provide that service level agreements be in place by a certain date to be effective for the following financial year, and that schools must have at least 1 month to consider the terms of agreements.

The scheme should contain a provision which stipulates that if services or facilities are provided under a service level agreement, whether free or on a buyback basis, the terms of any such agreement starting on or after the inception of the scheme will be reviewed at least every 3 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.

The scheme should specifically exclude centrally arranged premises and liability insurance from these requirements as to service supply, as the limitations envisaged may be impracticable for insurance purposes.

11.5 Teachers' Pensions

The scheme must provide provision in relation to returns and information by governing bodies for teacher pension purpose (see paragraph 32 of Schedule 4 to the 2026 Regulations). This should provide that governing bodies of schools which provide payroll services should submit a monthly return of salary and service to the local authority.

Governing bodies should also ensure that details of additional voluntary contributions (AVCs) are passed to the local authority within the time limit specified in the AVC scheme. The suggested standard text for this is:

“In order to ensure that the performance of the duty on the local authority to supply Teachers' Pensions with information under the Teachers' Pension Scheme Regulations 2014, the following conditions are imposed on the authority and governing bodies of all maintained schools covered by this scheme in relation to their budget shares.

The conditions only apply to governing bodies of maintained schools that have not entered into an arrangement with the local authority to provide payroll services.

A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the local authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the authority which the authority requires to submit its monthly return of salary and service to Teachers' Pensions and to produce its audited contributions certificate.

The local authority will advise schools each year of the timing, format and specification of the information required. A governing body shall also ensure that any such arrangement or agreement is varied to require that AVCs are passed to the local authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

A governing body of any maintained school which directly administers its payroll shall supply salary, service and pensions data to the local authority which the authority requires to submit

its monthly return of salary and service to Teachers' Pensions and to produce its audited contributions certificate.

The local authority will advise schools each year of the timing, format and specification of the information required from each school. A governing body shall also ensure that AVCs are passed to the local authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share."

12. Private finance partnerships

A local authority may wish to insert into its scheme other provisions relating to private finance projects. Amongst other issues these might deal with the reaching of agreements with the governing bodies of schools as to the basis of such charges, and the treatment of monies withheld from contractors due to poor performance.

Among the contract provisions there may be one which formally sets out the power of the local authority to charge to the school's budget share amounts agreed under a finance agreement entered into by the governing body of a school.

13. Insurance

The scheme should contain a provision which stipulates that if funds for insurance are delegated to any school, the local authority may require the school 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 evidence required to demonstrate the parity of cover should be reasonable, not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier.

The scheme must require the local authority to 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.

The scheme should also provide for all primary and/or secondary maintained schools to join the local authority's insurance arrangements collectively by agreeing through the schools forum to de-delegate funding.

14. Miscellaneous

14.1 Right of access to information

As well as specific requirements listed above, the scheme may require governing bodies to supply all financial and other information which might reasonably be required to enable the local authority to satisfy itself as to the school's management of its delegated budget share, or the use made of any central expenditure by the authority on the school; for example, earmarked funds.

14.2 Liability of governors

The scheme should contain a provision which points out that because the governing body is a corporate body, and because of the terms of section 50(7) of the SSFA 1998, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act honestly, reasonably, and in good faith.

An example of behaviour which is not in good faith is the carrying out of fraudulent acts. Individual governors may find themselves personally liable if they are found to have breached their duties under charity law, company law or education law, or committed a criminal offence in relation to their role as governor. 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.

14.3 Governors' Allowances

14.3.1 Schools without delegated budgets

The scheme should have a provision which allows the local authority to delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses.

Governing bodies would not normally have discretion in the amounts of such allowances, which would be set by the local authority.

Under section 50(5) of the SFFA 1998, only allowances in respect of purposes specified in regulations made under section 19 of the Education Act 2002 may be paid to governors from a school's delegated budget share (see the Governor Allowances (Wales) Regulations 2005).

The scheme should contain a provision forbidding payment of any other allowances. Schools should also be barred from payment of expenses duplicating those paid by the Welsh Ministers to additional governors appointed by them to schools under special measures.

14.3.2 Schools with delegated budgets

For schools with delegated budgets, local authorities may publish, separately from the scheme, a guide to what it considers to be reasonable expenses.

14.4 Responsibility for legal costs

The scheme may contain a provision pointing out that legal costs incurred by the governing body may be charged to the school's budget share, unless the governing body acts in accordance with the advice of the local authority; although this is the responsibility of the authority, as part of the cost of maintaining the school unless they relate to the statutory responsibility of voluntary aided school governors for buildings.

The effect of this is that a school cannot expect to be reimbursed for the cost of legal action against the local authority itself; although there is nothing to stop an authority making such reimbursement if it believes this to be desirable or necessary in the circumstances.

The costs referred to are those of legal actions, including costs awarded against a local authority; not the cost of legal advice provided.

A scheme should explain the procedure which schools should follow in obtaining legal advice where there is a conflict of interest between the local authority and the governing body.

This does not mean that a special procedure should be established, but governing bodies should be made aware of the potential problems that may arise and how they may resolve these.

14.5 Health and safety

The scheme should include a provision requiring governing bodies, in expending the school's budget share, to have due regard to duties placed on the local authority in relation to health and safety, and the authority's policy on health and safety matters in the management of the budget share.

14.6 Right of attendance for Chief Finance Officer

The scheme should require governing bodies to permit the Chief Finance Officer of the local authority, or any officer of the authority nominated by the Chief Finance Officer, to attend meetings of the governing body at which any agenda items are relevant to the exercise of their responsibilities.

The Chief Finance Officer's attendance should normally be limited to items which relate to issues of probity or overall financial management; such attendance should not be regarded as routine. The local authority should give prior notice of such attendance unless this is impracticable.

14.7 Additional learning needs

Local authorities may wish to insert a provision requiring schools to use their best endeavours in spending the budget share, to secure provision for the additional learning needs of their pupils.

Although this is anyway a statutory requirement, the existence of such a scheme provision would make it possible to suspend delegation where a situation is serious enough to warrant it; this would not normally relate to an individual pupil.

14.8 Interest on late payments

The terms of the scheme cannot affect the statutory requirements on this matter, but local authorities may wish to include a reminder in their schemes.

14.9 Whistleblowing

Schemes must set out the 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 how such complaints will be dealt with (see paragraph 30 of Schedule 4 to the 2026 Regulations).

14.10 Child protection

The local authority should insert a provision explaining about the need to release staff to attend child protection case conferences and other related events, and whether the authority makes any payments to schools to help meet costs.

14.11 Redundancy and early retirement costs

The Education Act 2002 sets out how premature retirement and redundancy costs should normally be funded. If the local authority proposes to make local arrangements in accordance with the act, then the scheme should contain a provision setting out how this will work.

15. Responsibility for repairs and maintenance

The scheme should include a statement showing the categories of work which governing bodies must expect to finance from their budget.

Local authorities should delegate funding for repairs and maintenance to schools; only capital expenditure is to be retained by authorities. The local authority may also retain expenditure on the repair and maintenance of a school kitchen where expenditure on meals in relation to the school concerned is deducted from the local authority's schools budget under Schedule 3 of the Regulations 2026.

For these purposes, expenditure may be treated as capital only if it fits the definition of capital used by the local authority for financial accounting purposes in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice on local authority accounting.

Schemes should state any de minimis limit the local authority intends to use for the definition of capital and revenue in assigning responsibility for types of work. Where local authorities do use de minimis limits for what expenditure is treated as capital and what is revenue in their financial accounts, the same de minimis limits should be used in defining what is delegated.

For voluntary aided schools, the liability of the local authority for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained schools, and no separate list of responsibilities is necessary for such schools.

However, eligibility for capital grant from the Welsh Ministers for capital works at voluntary aided schools does not depend on the de minimis limit used by the local authority.

There is no obligation on local authorities to include a list of illustrative examples provided the way in which expenditure is treated as capital or non-capital is explained.

Annex A: The funding framework main features

The funding framework is set out in the legislative provisions in the 2026 Regulations.

Under this legislation, local authorities determine for themselves the size of their schools budget and their non-schools education budget.

The categories of expenditure which fall within the 2 budgets are prescribed under regulations made by the Welsh Ministers, 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 the 2026 Regulations made by the Welsh Ministers 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 Welsh Ministers in certain instances.

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 2026 Regulations 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 SSFA 1998.

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 SSFA 1998 and the 2026 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 Welsh Ministers 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 Welsh Ministers in regulations made under section 50 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 SSFA 1998.

Each local authority is required to publish each year a statement setting out details of its planned schools budget, 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 the 2026 Regulations.

A copy of each year's budget and outturn statement should be published and 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.