

## Budget Management & Monitoring

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## Finance Handbook

- Budget Management and monitoring is covered in detail in section I of the finance handbook.
- The handbook is available on Perspective Lite:  
LA Documents > Schools Finance Team > Finance Handbook

## Basic Concepts

- **Budget Monitoring:** Expenditure and income must be monitored and compared against the agreed budget throughout the financial year to ensure that net actual costs remain within the available budget.
- **Accurate Financial Allocation:** It is essential that all legitimate costs incurred against the budget share and any grants in Business World (BW) (or a Prime Account school's system) are accurately reflected in the Medium Term Finance Plan (MTFP). This ensures that all transactions are correctly allocated to the school's budget and that there are no missing or unrecognised transactions.
- **Grant Over / Underspend Risk:** Often the MTFP shows staffing costs are to be allocated to grants but other expenditure such as supplies and services are charged to the grant in BW which is not reflected on the MTFP. This can cause grants to become overspent.
- **System Alignment:** Accurately monitoring your budget and grants is exceptionally difficult if the MTFP and BW (or Prime Account school's system) do not agree.
- **Understanding Grant Conditions:** It is important that schools are familiar with the terms and conditions associated with the various grant funding allocations they receive. Some grants are allocated based on the financial year, while others follow the academic year. Additionally, some grants permit carry forward of unspent funds between years, whereas others do not. Understanding these distinctions is crucial to legitimately maximise the use of each funding stream. Effective utilisation can help alleviate pressures that might otherwise fall on the main budget share.
- **Forecasting:** Estimation of all expenditure incurred and income received by the end of the financial year, ensuring grants are legitimately utilised in line with published guidance.
- **Variance Analysis:** Identifying, analysing, and explaining differences between budgeted and actual income and expenditure. Significant variances should be investigated and understood to inform decision-making.
- **Internal Controls:** Procedures and checks in place to ensure expenditure is authorised, correctly recorded, and compliant with financial regulations and policies.
- **Reporting:** Regular financial reports should be produced for leadership and governors, summarising budget performance, variances, forecasts, and key risks.
- **Virement:** An authorised transfer of budget from one budget head to another.
- **Corrective Action:** Any required corrective action should be identified and implemented in a timely manner.

## Role of the County Council

- **Financial System Access:** Provide schools with access to a financial system (BW) that enables the production of monitoring reports showing actual expenditure and income, alongside comparisons to budget.
- **Financial Planning Software:** Offer schools financial planning software (SBS Financial Planner) to support them to develop a realistic MTFP.

- **Performance Monitoring:** Monitor school financial performance to ensure that serious budget management issues are avoided.
- **Support & Guidance:** Support Headteachers and school finance staff through the provision of financial advice, guidance, and training.
- **Policy Framework:** The Local Authority (LA) has published a *Monitoring & Intervention Framework*, which is covered in detail during the Policies training. The full framework is available on Perspective Lite:  
LA Documents > Schools Finance Team > Policies
- **Accountability Framework:** 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: This Framework is available on Perspective Lite:  
LA Documents > Schools Finance Team > Policies

## Headteachers' Role and Responsibilities

- **Monitor Financial Activity:** Ensure that actual expenditure and income are regularly monitored, and that both BW (or the Prime Account system used by the school) and the MTFP are kept up to date.
- **Reporting to Governors:** Prepare and present financial reports to the governing body, comparing actual figures against the agreed budget. Reports should be shared with Governors at least one week prior to the Finance Committee meeting and should include a written summary with supporting documentation. In addition, a forecast should be produced which identifies the need for any corrective action and recommendations should be made to the governing body as required.
- **Benchmarking:** Use benchmarking data to compare income and expenditure with similar schools (by type and size). This can help identify opportunities to reduce costs or increase income.
- **Corrective Action:** Identify any necessary corrective actions based on financial performance and implement appropriate measures.
- **Recommendations & Scenario Planning:** Make informed recommendations to the governing body, including proposed virements and scenario planning. Scenario planning should clearly outline the financial and curriculum-related advantages and disadvantages of each option.
- **Implementing Virements:** Ensure that any virements approved by the governing body are accurately entered into BW (or the Prime Account system).

## Role of the Governors

The responsibility for the financial management of the school is delegated to the school's governing body.

The governing body is entitled, subject to any provisions made under the Scheme for Financing Schools, to spend any sum made available to it in respect of the school's budget share for any financial year as it thinks fit for the purposes of the school.

The governing body may delegate any of the responsibilities for financial matters to either a Finance Committee or the Headteacher, whilst retaining overall responsibility for the proper exercise of its duties. The roles and responsibilities of all parties should be set out in writing, be formally agreed by the full governing body and reviewed annually. This should include:

#### **Management of the school's delegated budget:**

- Approving the school's MTFP. A detailed Budget Setting Guidance for School Governors document has been produced which provides key areas governors should consider when approving the school's budget to ensure resources genuinely support the school's priorities, pupils' needs, and long-term sustainability. This document covers the following topics:
  - School's strategic priorities
  - Understand funding streams
  - Scrutinise staffing costs
  - Review pupil numbers and forecasts
  - Assess risks and build contingencies
  - Ensure compliance with statutory duties
  - Evaluate value for money
  - Monitor in-year performance
  - Plan for the medium term
  - Ensure transparency and good governance
  - What governors should receive to assist with budget setting

Although this document has been produced for Governors, the guidance is equally relevant to all staff involved in setting the school's budget.

This document is available on Perspective Lite:

LA Documents > Schools Finance Team > Budget Setting > 20XX-XX > Medium Term Finance Plan

- Submit the MTFP to the LA by the 31<sup>st</sup> May each year. Schools using the SBS software will lock the budget to confirm approval
- Determine the financial threshold at which transfers require Full Governing Body approval
- Approve budget virements in line with the school's Finance Policy
- Outline the roles and responsibilities relating to finance within the schools Finance Policy (further information provided under the Policies section).

#### **Monitoring of the school's MTFP:**

- Regularly monitor actual and forecast income and expenditure against the approved budget
- Seek prior approval from the LA before any planned overspend
- Consider the content, format and frequency of financial monitoring reports for the Finance Committee and Full Governing Body. An example report is available in section I of the Finance Handbook.

The following should be included:

- Date of the report
- Original budget
- Carry forward
- Current approved budget including any additional funding

- A forecast report showing the anticipated year-end financial position of the school budget share and grants should be provided to governors. These should be provided as separate reports.
- Government Grants
- A written explanation of any under/overspendings
- Any proposed virements - Virements should not be used simply to offset overspends by reducing underspends elsewhere. The forecasting process should identify individual variances and the reasons behind them.
- Proposals for increasing or decreasing expenditure
- Approve actions necessary to ensure actual expenditure and income remain within the agreed budget
- Review County Council audit reports and implement recommendations where possible

**Schools Financial Value Standard (SFVS):**

- Completion of the SFVS by the published timescales

**Policies:**

- Adhere to the County Council's financial regulations and procedures
- Ensure compliance with the County Council's Scheme for Financing Schools as approved by the Secretary of State
- Ensure the school has a Finance Policy setting out roles and responsibilities in relation to finance and that it is reviewed at least annually. The Schools Finance Team has put together a draft finance policy that can be adopted and amended to suit school's individual needs. It is intended to bring together the key aspects of finance under one policy document. It deals with roles and responsibilities, budget setting, budget monitoring, financial planning and many other important financial issues. This draft policy is available on Perspective Lite: LA Documents > Schools Finance Team > Policies.
- Agree the transaction authorisation limit
- Establish the school's charging policy

**School Fund:**

- Oversee the financial administration of privately raised funds
- Ensure the school fund is audited annually

**Further Information**

- This is not an exhaustive list; more information on roles and responsibilities is available within the Schools Finance Handbook
- Scheme for Financing Schools:  
<https://www.lincolnshire.gov.uk/finances-budgets/school-finances>

## Overspends

### Deficit Budget Key Characteristics

Schools operating with a deficit budget often exhibit the following characteristics:

- **Unclear Roles and Responsibilities:** Financial responsibilities are not clearly defined or understood across leadership and staff
- **Lack of Initial Budget Planning:** A detailed and realistic budget is not set at the start of the financial year
- **Absence of Long-Term Financial Planning:** There is no forward-looking financial strategy, including scenario planning to assess future risks and opportunities
- **Poor Budget Monitoring:** Limited or ineffective monitoring of both budget share and grant allocations throughout the year

### Deficit Budget Common Outcomes

When schools are required to address a deficit budget, typical outcomes include:

- **Reduction in Departmental Budgets:** Areas may face cuts to resources and spending
- **Reduction in Support Staff:** Non-teaching roles may be reduced to lower staffing costs
- **Reduction in Teaching Staff:** In some cases, teaching posts may be affected, impacting curriculum delivery.

### Deficit Budget Best Practice

To effectively manage and recover from a deficit, schools should develop a comprehensive Recovery Plan, which includes a detailed MTFP. This plan should outline:

- **Cause of the Deficit:** A clear explanation of how the deficit occurred
- **Forecast of Future Pupil Numbers (NoR):** Including the anticipated impact on budget share
- **Forecast of Planned Expenditure:** Projected costs for future years
- **Forecast of Future Carry Forward:** Expected surplus or deficit at year-end
- **Corrective Actions:** Specific steps the school will take to return to a balanced budget, including the financial impact of each action
- **Scenario Planning:** Evaluation of multiple options, detailing the financial and educational impact (e.g., on teaching and learning)
- **Benchmarking:** Comparison with similar schools to identify potential cost savings or efficiency improvements
- **SFVS Review:** Use the Schools Financial Value Standard to identify areas where costs may be disproportionately high
- **Timescale for Recovery:** A realistic timeline for achieving a balanced budget

### Local Authority Involvement

Schools that incur a deficit on budget share will trigger Monitoring and Intervention. The LA will liaise with the school to agree on the frequency and format of monitoring and progress reports. The M&I Framework is available on Perspective Lite:

LA Documents > Schools Finance Team > Policies

## Budget Discipline During Recovery

It is critical that schools:

- Set a realistic and achievable budget for both the budget share and grants
- Adhere strictly to the agreed budget during the recovery period
- Ensure that all financial decisions align with the Recovery Plan to support budget recovery

## Early Years Funding - Reconciliation

If the school has an early years setting funding will be received on a monthly basis. The funding will be received a month in arrears.

As part of the monthly monitoring the funding received should be reconciled between BW (or the Prime Account school's system), the MTFP Funding document and the SBS Financial Planner or similar Finance Planning tool.

### Steps to reconcile Early Years Funding

- Run a Schools Departmental Report on the school cost centre ending 00\* using account code R93015
- Compare the amount received to the relevant Early Years tabs on the MTFP Funding document
- If there is a difference you should review the relevant Early Years MTFP Funding document and check the pupil data has been entered correctly and matches the data entered on the Early Years Hub
- An adjustments row is available on the relevant Early Years MTFP Funding document to reconcile the monthly funding
- Update / review your SBS Financial Planner or similar planning tool accordingly
- Other Early Years funding such as Disability Access Funding (DAF) or Inclusion Funding received should also be reconciled between BW (or the Prime Account school's system), the MTFP Funding document and the SBS Financial Planner or similar Finance Planning tool.

## High Needs Reconciliation

If the school has pupils who have Education, Health and Care Plans (EHCP), funding will have been allocated. The funding is provided on a monthly basis.

As part of the monthly monitoring the funding received should be reconciled between BW (or the Prime Account school's system), the MTFP Funding document and the SBS Financial Planner or similar Finance Planning tool.

### Steps to reconcile High Needs Funding

- Run a Schools Departmental Report on the school cost centre ending 00\* using account code R93017

- Compare this to the monthly total showing on the relevant High Needs tab of the MTFP Funding document
- If there is a difference you will need to review the entries on the High Needs tab of MTFP Funding document. If required, you will need to review the funding provided by looking on Perspective Lite
- Pupils who are due to leave in August will only receive 5/12ths funding. However they have their funding pro-rata over 12 months
- Funding adjustments are carried out in September, January and March. Therefore you may need to amend the relevant High Needs tab of the MTFP Funding document to reflect when the funding will actually start being received in order to reconcile the monthly amounts received
- An adjustment to funding relating to the previous financial year is carried out in June. Any adjustment must be reflected on the SBS Financial Planner or similar Finance Planning tool
- Update / review your SBS Financial Planner or similar planning tool accordingly

## Understanding Budget Management & Monitoring

- Group discussion/Exercise
- Why should Schools undertake Budget Monitoring?
- Answers to the exercises will be sent out after the course

## Lack of Budget Management & Monitoring

- Group discussion/Exercise
- What are the possible outcomes of a lack of Budget Monitoring?
- Answers to the exercises will be sent out after the course

## Reports Available in Business World

Schools have access to several key financial reports that support effective budget management and strategic planning. Each report serves a distinct purpose and should be used regularly to maintain financial control and compliance.

Consistent use of the reports detailed below helps ensure:

- Accurate forecasting and financial planning.
- Early identification of risks and corrective actions.
- Compliance with funding conditions and policies.
- Transparency and accountability for Governors and stakeholders.

### ***Schools actual budget forecast***

- This report is crucial for budget monitoring as it is the one report which contains the forecast schools calculate relating to budget share and grant funding. Forecasting and the use of this report has a number of benefits:
  - Supports financial and scenario planning by assisting with the projecting of future income and expenditure.
  - Highlights actions required before year-end to prevent or reduce deficits.

- Ensures compliance with the carry-forward policy.
- Assists with budget preparation and ongoing monitoring.
- Provides a clear financial position for Governor meetings

This list is not exhaustive; it shows some of the benefits of using the report.

- Run this report monthly, ideally on or after the 18th of the month, to ensure forecasts remain accurate and up to date.

### ***Schools Departmental Summary***

- This report gives an overview of departmental budgets and spending. It is particularly useful after funding allocations such as early years, intervention, high needs, and other grants. It is useful for schools that maintain a large number of departments and choose to manage and monitor budgets at that level.

Benefits include:

- Enables financial and scenario planning.
- Identifies potential overspends or underspends early.
- Confirms that spending and carry-forwards comply with grant conditions.
- Assists with budget preparation and monitoring.
- Provides a summary for Governor meetings.

This list is not exhaustive; it shows some of the benefits of using the report

- For schools that budget and monitor at departmental code level, run this report monthly, typically on or after the 18th of the month, when funding updates are processed.

### ***Schools Departmental Report***

- This report provides a detailed breakdown of each individual transaction that the school has paid and allows access to a copy of the invoice to be checked. Schools must run this report regularly as it is the only report that shows the detail required to accurately monitor budgets to ensure all transactions are legitimate and coded correctly. It is absolutely crucial for financial control and audit purposes.

Running this report has all the benefits of the other reports but has the added benefit of detailed transaction-level visibility for reconciliation and compliance checks.

- Run this report monthly, on or after the 18th of the month, following funding updates.

### ***Employee Cost Report***

- This report should be run monthly, typically on or after the 23rd of the month, as this is when payroll data is uploaded to BW. The information from this report is then imported into the SBS Financial Planner and must be reconciled against the staffing data configured in the SBS tool. Navigate to Budgeting > Payroll Reconciliation
- Performing a detailed monthly reconciliation of payroll data is essential to:
  - Confirm that the school is being charged accurately for its total staffing establishment.
  - Ensure all employees are paid correctly.
  - Prevent charges for staff who are no longer employed by the school.

- Regular reconciliation safeguards financial integrity, avoids unnecessary expenditure, and ensures compliance with staffing budgets

#### ***Establishment Report***

- Shows the open positions for staffing within the school
- Shows the number of hours, grades and other information relating to the position

#### ***Open Orders Report***

- Shows Open purchase orders posted against the school cost centre.
- Shows the detail on the purchase order number, description of the items ordered, the receipted amount and the remaining commitment.
- Purchase orders that are no longer required should be closed in a timely manner to help with year-end housekeeping.

#### ***Aged Debt report***

- Shows outstanding invoices raised by the school.
- Provides the Customer details, amount outstanding and how many days the invoice has been overdue
- Should be regularly monitored to ensure debt is recovered in a timely manner.

## **Reports Available in SBS Financial Planner**

The SBS Financial Planner includes a comprehensive suite of reports designed to support schools in monitoring their financial position, analysing variances, and presenting information clearly to governors. To use these reports effectively, it is important to understand the key features and functionality available within the reporting module.

An SBS Financial Planner – Additional Guidance Document for Schools is available on Perspective Lite: LA Documents > Schools Finance Team > 20XX – XX > Medium Term Finance Plan

#### **Budget Analysis**

Gives a detailed breakdown of all income and expenditure entries. This report can be filtered by cost centre and can be downloaded to excel and pdf and is recommended to be provided to governors

#### **Staff Costings report**

- Details the information on the Staff Contracts.
- Can be used for data validation of the contracts
  - Check staff contracts have the correct type, service terms, hours, paid weeks, FTE and pay scale.
  - Report should be run at start of new financial year to check contract details are correct, at the end of September when staff contracts may have changed and when there have been major changes to contracts.
  - This ensures staff costings on the plan are accurate.

### **Budget Comparison Report**

- Compares two plans to indicate changes to an original budget.
- Is useful for highlighting variances between plans that indicate errors on income or expenditure.

## **BW Housekeeping**

It is vital that all outstanding tasks are processed on a regular basis, this will help ensure the school's accounts are up to date and accurately reflect the current position which aids budget monitoring and forecasting.

BW guidance relating to the following are available on Freshservice: [Solutions : . \(freshservice.com\)](https://freshservice.com)

### **Closing Open Purchase Orders**

Any Purchase Orders that you are no longer expecting an invoice for need to be closed down.

### **Cancelling Goods Receipts**

The current status/type of Purchase Order may require you to take different actions. You may need to cancel a goods receipt if an invoice is not to be received. To cancel a goods receipt a goods return will need to be completed in BW. This can be located from the following menu path: Purchasing – Purchase Orders – Goods Received – Goods Return.

### **Procurement Card Tasks**

Procurement card tasks need to be processed in a timely manner.

The guidance for Procurement Card administration can be found on Perspective Lite:  
LA Documents > Schools Finance Team > Procurement Card

## **Debtors**

Schools must actively monitor and manage outstanding debts to minimise financial impact and support budget integrity. Unpaid debts will directly impact the school's budget.

- Run an Aged Debt Report on a monthly basis.
- Schools have a responsibility to work with individuals / companies where debt has been raised and the Credit Control Team at LCC to ensure regular repayments are made.
- Improving debt collection directly benefits the school's budget. When an invoice is raised by a school, a credit is applied to its budget. If later it appears that the debt won't be paid, a bad debt provision is made. The impact of this is a charge against the school's budget.
- The Council's policy is to create a bad debt provision on 31st March each year if the debt is more than 12 months old.
- If the debt is later recovered, the bad debt provision is reversed and the school's budget is credited again. However, if the debt is deemed irrecoverable, it is written off. The school has therefore incurred the cost of this debt.
- Depending on the nature of the debt, various reminders will be sent to customers from the system at regular intervals. In most cases invoices are settled within the time required and/or repayment plans are agreed.

- Spend Managers and Budget Managers are expected to play a key part in the process of reclaiming debt from customers.
- A debt should only be written off when all reasonable attempts to reclaim the debt have been undertaken.
- A Budget Manager should agree if debt can be written off or not via off system approval. This will require an email chain from an Audit perspective and sent to credit control to be finalised.
- The non-recovery of debts has an adverse impact on school budgets. It is therefore in the interests of the school to assist LCC with debt recovery. Please see below the roles and responsibilities of LCC and the school in relation to debt management.

LCC's Credit Control team's responsibilities include:

- Ensuring income is allocated correctly against outstanding debts.  
Issuing reminders to debtors. Reminders are issued 14, 28 and 42 days from the date of invoice or resolution of a dispute.
- Agreeing repayment plans where appropriate, although Credit Control are only able to agree 3 months, any longer would need to be approved by the Budget Holder.
- Take court action for debt recovery.

Budget Holder/Bursar/Administrator's responsibilities include:

- Running an Aged Debt report and reviewing all outstanding debts at least once a month. This report provides aged debt information per customer.
- Running an All Invoices – Simple by Customer report at least once a month. This report provides information on all invoices and credit notes issued per customer.

## Forecasting

- MTFP should be fully updated prior to completing a forecast
- A forecast template is available on Perspective Lite along with Instructions on how to complete the forecast:  
LA Documents > Schools Finance Team > Budget Setting > 20XX-XX > Forecast Upload Template and Guidance  
Once complete the updated financial information should be reported to Governors
- Group Exercise – How to calculate a forecast / complete a forecast / review a forecast

## Coding Structure

### Cost Centres

- Cost centres are alphanumeric codes which identify individual organisational units. All school cost centres begin with S\*\*\*\*\*
- Government grants can be identified by the unique alphanumeric code assigned to it, each one has a different last 2 digits to identify the cost centre, an example is provided below.
- Budget share cost centres end in 00, for example S32100
- All pupil premium codes end in A\*, for example S321AA
- When in a cost centre field you can start typing a code and this will show the cost centres available

- Capital codes are in the same format and start with LC and are used in conjunction with a work order number
- LCC cost centres are in the same format and also start with LC

### Department Codes

- Department codes allow income and expenditure to be allocated to specific departments and fall under the category known as location. The Location can allow other attributes to be added such as the Unique Property Reference Number (UPRN) of the school, it is therefore vital for schools to use a valid department code. Examples of department codes are:
  - M001: Whole School
  - M002: Whole School Staffing
- Department codes can be found by opening the value look up window of the GL Analysis section on the Requisition Details screen within BW when raising requisitions or on the Sales Order tab when raising invoices

### Account Codes

- Account codes identify the type of income and expenditure. The account code is a 6-digit alphanumeric code which indicates a specific type of expenditure, for example:

A1XXXX	Employee Related Expenditure
A2XXXX	Premises Related Expenditure
A3XXXX	Transport Related Expenditure
A4XXXX	Supplies & Services
A5XXXX	Third Party Payments
A6XXXX	Transfer Payments
A7XXXX	Support Services
A8XXXX	Capital Financing Charges
A9XXXX	Income
RXXXXX	Recharge codes

- To ensure accuracy with financial reporting it is essential that there is consistency when coding income and expenditure