

Financial Planning

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What is Financial Planning?

Financial planning in schools is the process of developing a Medium Term Financial Plan (MTFP), typically over 3–5 years, to forecast income, expenditure, and risks, ensuring the school remains financially sustainable.

How does it link to Budget Setting and Budget Monitoring?

- Financial planning looks at the bigger picture over several years, while budget setting turns that plan into a detailed, approved budget for the next financial year.

The budget management cycle begins with financial planning through the MTFP, where income, expenditure, and risks are forecast over several years. This informs budget setting, where a detailed and balanced budget is approved for the next financial year. Schools then monitor performance throughout the year, comparing actual income and expenditure against the budget, identifying issues early, and taking corrective action where necessary. The outcomes feed into the next round of financial planning, ensuring ongoing financial sustainability.

Financial Planning → Budget Setting → Budget Monitoring → Action → Back to Planning

Why should schools undertake Financial Planning?

- Please see additional handout with answers

Budget Setting

- Refer to Perspective Lite to access a range of guidance materials to assist schools with budget preparation including:
 - Budget Setting For Schools – Best Practice
 - Budget Setting Guidance for School Governors
 - Budget Preparation Notes

What information is required to assist in budget setting?

- Please see additional handout with answers

Who is Involved?

- Effective budget setting relies on a shared understanding of roles and responsibilities across leadership and governance. Clearly defined responsibilities ensure that the budget is developed collaboratively, aligns with school priorities, and maintains strong financial accountability.
- **Governing Body** – strategic oversight, challenge, and formal approval.
- **Headteacher / Executive Leadership** – strategic planning and resource allocation.

- **School Business Manager / Finance Officer** – detailed budget preparation and monitoring.
- **Finance Committee (where applicable)** – review and scrutiny prior to approval.

The Headteacher and School Business Manager typically work together to develop the draft budget, with Governors involved at an early stage where appropriate.

The Schools Finance Team facilitates a number of budget preparation sessions via MS Teams each March, which can be attended by school staff and governors involved in the budget setting process.

Schools may also buy into the Silver or Gold package with Schools Finance, which provides access to up to four full-day finance meetings per year, one of which can be used to support budget setting.

The Governing Body or Finance Committee has a statutory responsibility to provide effective oversight, scrutiny, and challenge. This helps ensure that the proposed budget is realistic, sustainable, and aligned with the school's strategic priorities. Robust challenge at this stage enables early identification of financial risks, tests key assumptions, and ensures that decision-makers understand the long-term implications of financial decisions.

The final stage of budget setting is formal approval, where the Governing Body takes collective responsibility for the financial plan. The approval process must be transparent, well-documented, and carried out in accordance with the school's governance structure, confirming that the budget is compliant and deliverable.

Points to Consider

Budget Construction

- Set in detail, ensuring the MTFP includes clear, detailed assumptions and supporting notes enabling clear understanding of the plan.
- Build budgets from zero – Zero-based budgeting means starting the budget from scratch each cycle, requiring every expense to be reviewed and justified instead of carrying over assumptions from previous years.

Benchmarking and Validation

- Compare staffing structures with similar sized schools, as staffing costs are the largest area of expenditure for a school.
- Use benchmarking tools to compare income and expenditure against similar schools and identify potential efficiencies.
- Refer to Consistent Financial Reporting (CFR) guidance to ensure income and expenditure are classified correctly and to support accurate benchmarking.

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

Risk Management

- Include a contingency (recommended 5% to 8%) to manage unforeseen changes. Contingencies greater than 10% (Nursery), 8% (Primary and Special) and 5% (Secondary) will need to be justified using the Carry Forward Proforma.

- Undertake scenario planning so that plans are in place should the current position of the school not be maintained. The scenarios should include the pros and cons of each scenario on financial and educational impacts.

Compliance and Governance

- Schools must not set a deficit budget or overspend available resources, in line with the Scheme for Financing Schools
[Scheme For Financing Schools June 2025](#)
- Plan grant expenditure effectively. Ensure that grants are fully and appropriately planned so they are spent in line with conditions and within the relevant timeframes, taking into account that some grants are financial year based and some are academic year.
- Refer to the Schools Financial Value Standard (SFVS) document for the school and using the RAG ratings to assist with financial decisions.

Financial Timetable

- **February** – Budget Preparation packs published to schools.
 - MTFP Funding excel document, Sickness Insurance Scheme, Salary Scales, buyback information including the finance buyback and the Budget Preparation guidance notes are published on Perspective Lite in the following area:
LA Documents > Schools Finance Team > Budget Setting > 20XX-XX
 - The schools Budget Shares document is published on the Lincolnshire County Council website in the following area:
[School finances – School budget shares - Lincolnshire County Council](#)
- **March** – Budget setting courses are held over MS Teams by Schools Finance Team to support schools in completing their budgets.
- **March/April** – the Headteachers and the School Business Manager set the school’s budget with support from Schools Finance if required. Governors can also feed into the process at this stage.
- **April/May** – The MTFP is submitted to the Full Governing Body for final approval.
- **May** – The MTFP is submitted to the Local Authority no later than 31st May. Schools using the SBS Financial Planner will lock the budget to show that it has been approved.
- **June** – The MTFP is reviewed by the Schools Finance Team. Upon completion of the high level checks a pro-forma is sent to the school with recommendations of any issues found
- **June/July** – The school’s budget is uploaded onto Business World (BW) and can be reviewed through the reports section of BW.

Medium Term Finance Plan

All BW schools and a number of Prime Account schools use the SBS Financial Planner for budget planning purposes.

Detailed guidance on how to use the SBS Financial Planner can be found on Perspective Lite by reviewing the document title ‘SBS Software – Additional Guidance Document’.

This can be found under – LA Documents > Schools Finance Team > Budget Setting > 20XX-XX > Medium Term Finance Plan

Reporting

A number of reports are available on the SBS Financial Planner to assist with monitoring and managing the budget.

Budget Analysis report

- This report shows all Income and Expenditure. The report can be filtered by cost centre and can be downloaded to excel and pdf and is recommended to be provided to governors.

Budget Comparison report

- This report allows schools to compare the financial position of two different budget scenarios; a comparison of 2 different budgets or 2 different financial years. This report is particularly useful during budget setting. The report can be exported to Excel and should be used to review and understand any significant movements between the two budgets being compared.

Schools should ensure that any large variances (20% or more) are clearly explained to Governors.

Staff Costings report

- This report provides all staffing costs for the selected period to be reviewed for accuracy.

Trustee/Governor Snapshot report

- This report provides a high-level financial overview and KPI's.

Further Support for Schools – Financial Planning

- Lincolnshire County Council Website (LCC) - [School finances – School budget shares - Lincolnshire County Council](#)
- Perspective Lite: LA Documents > Schools Finance Team
- Schools Business Support Service (SBSS) – Bronze/Silver/Gold Buyback – In order to confirm the buyback level you would like for the financial year, use the Edulincs link [Financial services for maintained Business World schools – Lincolnshire County Council](#)
- Schools Finance Team – schools_finance@lincolnshire.gov.uk
- Gov.uk Website - <https://www.gov.uk/> to access a range of key information such as funding, Schools Financial Value Standard (SFVS), Benchmarking
- Schools Monthly Bulletin – Published on Perspective Lite
- Business World - [Business World 'How to' Guidance : . \(freshservice.com\)](#)