

Financial Control no2

Budgetary Control and Reconciliation

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Updates Sept 2023: none

1. Introduction

Budgetary Control ensures that expenditure and income are properly controlled, accurate records of approved budget allocations, expenditure and income are maintained, school records reconcile to cash and bank accounts (and the Local Authority's (LA) accounting system) and school Governors and Schools Financial Services (SFS) are properly informed of the current budget position.

2. Budget Setting

2.1 Revenue and Capital expenditure and income should be forecast for each budget heading at the beginning of the year in order to prepare the detailed school budget and to monitor actual expenditure and income throughout the financial year. The detailed budget must be set in accordance with the delegated formula and pupil premium, plus or minus the agreed surplus/deficit roll-forward from the previous year. The three-year budget plans are to show balanced budgets across each of the three years to ensure compliance with the LA Scheme for Financing Schools. Any surpluses forecast to be carried forward to the next financial year must also be within the specific balance control mechanism parameters laid down by the LA.

2.2 The school budget should be prepared by the Head Teacher and Finance officer, taking into consideration the needs of the school development plan (SDP), in order to reflect the school's prioritised educational objectives. The SDP should contain costings where appropriate that are linked back into the budget. This will assist school governors in determining whether the budget has sufficient resources to support these objectives and assist in re-prioritising any financial objectives that may occur from the original budget projections during the financial year. The budget is to be reviewed regularly and updated as necessary.

2.3 The Full Governing Body (or delegated committee) must approve the detailed school budget. This approval is to be clearly documented in the minutes of the relevant meeting of the Full Governing Body or delegated committee. A copy of the

signed, approved detailed budget is to be filed with the appropriate minutes. A copy should be sent to Schools Financial Services by 31st May each year and the budget fixed on the schools accounting system.

2.4 The decision whether or not to take out supply insurance should be reviewed annually by the Full Governing Body or delegated committee and any decision not to take it out and the reasons behind such a decision should be minuted.

2.5 A plan should be agreed with Schools Financial Services to rectify a deficit budget (see Financial control No5 <https://www.kelsi.org.uk/school-finance/financial-support-and-planning/financial-control>) and any significant budget surplus should be managed towards planned objectives in accordance with the school's development plan. Any surplus regarded purely as a contingency, i.e. with no specific project planned, should not breach the Balance Control Mechanism parameters set by the LA as specified in the Scheme for Financing Schools.

2.6 All financial records should have supporting documentation and should be held securely to protect the information from unauthorised access.

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3. Monitoring the Budget

3.1 The Full Governing Body, or delegated committee is to approve/ratify virements to the approved detailed budget, in accordance with the levels detailed in the School Finance Policy. When ratified it should be clearly documented in the minutes of the relevant meeting of the Governing Body/ Finance Committee.

3.2 Approved allocations and virements should be entered accurately in the school's accounting records against budget. The Headteacher should check that these allocations have been entered correctly.

3.3 All committed expenditure (e.g. orders placed), actual expenditure and income should be entered in the school's accounting system records as it occurs, to ensure that the records are kept accurate and up-to-date for effective monitoring purposes. Expenditure should be recorded exclusive of VAT.

3.4 Expenditure should be monitored against the salary budgets on a monthly basis. Any differences between expected cost of an employee and actual cost charged to the school should be investigated with the school's payroll provider.

3.5 The supply staff budget should be properly controlled to provide accurate information for decision making on teaching cover. The values of supply teachers'

claims submitted for payment should be entered as a commitment in the school records. Actual charges should be checked and reconciled to the school records and copy claim forms.

3.6 Any recovery of costs through an insurance scheme should be credited against the appropriate income code.

3.7 Where budgets have been delegated to school budget holders, regular reports from the school's accounting system should be issued to the budget holders to confirm the current situation of their budgets. Budget holders are responsible for authorising their subject order requisitions/purchase orders and should maintain their own records, and any discrepancies between the records should be resolved.

3.8 Budget Monitoring Reports are to show the approved budget and any subsequent revisions as per the Consistent Financial Reporting coding structure. The Monitoring Report should report the current expenditure (including commitments) and income (including expected income) position against the originally agreed budget and any revised budget. The monitoring should report the forecast year-end position against each ledger code and an explanation of variances should be provided. This information is to be reviewed by the Headteacher and Finance Officer, each month. Monitoring Reports are to be shared regularly and minuted (at least 6 times a year) with the Full Governing Body or designated committee. Schools must submit to the LA 6 month and 9-month monitoring.

3.9 The Full Governing Body or designated committee approval of the budget position and any decision taken as a result of the consideration of the information should be fully minuted. This should include minuting discussions of virements, understanding of the variances to budget, the latest forecast year-end position and any implication from such variances to the original year two and three projections.

3.10 Monitoring returns should be completed and sent to Schools Financial Services schoolfinancereturns@theeducationpeople.org in accordance with the LA's Schools' financial returns timetable.

<https://www.kelsi.org.uk/school-finance/returns-and-monitoring/financial-returns>

3.11 Appropriate action should be taken by the Governing Body and Headteacher to rectify any significant forecast over/underspends.

3.12 All financial records should have supporting documentation and should be held securely to protect the information from unauthorised access.

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4. Benchmarking

4.1 Each year, the Governors and staff with financial responsibility e.g., Headteacher and Finance Officer should compare the school's financial performance with that of similar schools to examine reasons for differences and take action where necessary. This can be completed by using the Kent Benchmarking data on Kelsi, the extended Financial Benchmarking report available from the Education People or the DfE Benchmarking website

4.2 The Governors' review of the benchmarking data and the comparisons made should be minuted within the Full Governing Body or delegated committee meeting minutes.

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5. End of Year

5.1 At the end of the year, schools should carry out year-end adjustments for inclusion in the LA's accounts. Schools should refer to the Closedown Pack, issued annually by SFS, when completing the appropriate returns at year-end.

5.2 The LA's outturn report, which reconciles to the school's year-end position and is sent to schools, by SFS, should be presented to the Full Governing Body or delegated committee and minuted.

5.3 All financial records should have supporting documentation and should be held securely to protect the information from unauthorised access.

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