

2.2 Preparation & Submission of Annual Budget

Introduction

Each school is provided with a statement of its provisional Budget Share for the forthcoming financial year by mid February. On the basis of this, and other relevant funding and budgeting information supplied by the LA, the Governing Body must then consider the school's spending requirements for the forthcoming financial year and prepare a draft budget.

Each school is given a statement of its actual Budget Share for the forthcoming financial year by the 15 March, this is called the Original Budget Share. The Governing Body is then required to approve its budget by the 31 March and send it to the LA by the 1 May

Format of Annual Budget

The budget must be submitted in the format "School Budget Plan Financial Year XX/XY". The order and format of the School Budget Plan is consistent with the Council's Coding Structure for Schools. The School Budget Plan template is available as an E-Form ([Appendix 1](#)) and can also be found on the Schools Funding pages of the Barnet on line website.

http://www.barnet.gov.uk/WorkingWithChildrenInBarnet/info/20004/school_funding_and_finance

The Schools Finance Support Service also provides a Salary Estimate /Budget worksheet on Excel – the data from which automatically feeds into the School Budget Plan Form.

Method of Submission

Once the Budget has been approved by the Governing Body, the School Budget Plan E-Form should be sent to the Schools Accountancy Section by email at

schools.accountancy@barnet.gov.uk

The Local Authority also requires a hard paper version of the School Budget Plan signed by the Headteacher and Chair of Governors – which should be sent via the post or the Council's courier service to:

Schools Accountancy Section
1st Floor, Building 4,
North London Business Park,
Oakleigh Road South,
London N11 1NP

Preparing the Annual Budget

The school budget is a key part of the annual financial planning cycle and is the means by which the school translates its strategic objectives into financial terms by providing a statement of intention. The School Development/Improvement Plan - which sets out the strategic objectives - should be used as the basis for compiling the annual budget.

It is important that the annual budget is complete, and schools should refer to LBB's School Code List for guidance on the specific areas of income and expenditure that should be included against each CFR code. This also acts as an important checklist for ensuring no area of income or expenditure is omitted.

Budgeting for Extended School Activity

There are two distinct types of Extended School Activity: that which is deemed 'Pupil Focussed' and that which is deemed 'Community Focussed'. Distinguishing between the types of Extended School Activity is important as each requires particular budgeting & accounting treatment as shown below.

Pupil Focussed

Activity which serves to benefit the pupils, e.g. Breakfast Clubs, Reading & Study Clubs and which is provided outside of the normal school day. The budgeting and accounting treatment for such activity is as follows

- All expenditure incurred in operating Pupil Focussed Activity should be budgeted for / coded to E24
- Any other grant funding received specifically for Pupil Focussed activity should be coded to I15
- Any income from fees & charges levied for the provision of the Pupil Focussed Activity should be budgeted for / coded to I08
- It is permissible for the cost of providing Pupil Focussed Activity to be subsidised by the delegated budget i.e. total attributable costs charged to E24 can exceed funding & income coded to I08 and I15

Community Focussed

Services provided by the school to the wider community (not to pupils). Community Focussed Extended School Activity can be funded from the school's delegated budget. All income and expenditure associated with Community Focussed Activity must be separately identifiable within the CFR coding structure.

Community Focussed Activity is often confused with the letting of school premises – which is not classified as Community Services Extended School Activity. There are two clear ways to make this distinction. Firstly if the facility is tutored / facilitated by a person employed or contracted by the school, then this would be deemed Community Focussed Extended School Activity. Secondly, where the individuals participating in the activity make their payment to the school, as opposed to a third party, then the activity would be deemed Community Focussed Extended School Activity.

The budgeting and accounting treatment for Community Focussed Extended School Activity is as follows:

- Any grant received specifically to enable Community Focussed Activity should be coded to I16
- Income from charges levied for Community Focussed Activity should be coded to I17

- All staff who work wholly or mainly on Community Focussed Extended School activity should be charged to E31. Where a member of staff does work on a Community Focussed activity e.g. an Admin. Officer taking bookings for a fitness club, along with general school duties, then a judgement needs to be made as to whether this is significant or marginal. If the value is significant then an estimate of the cost of the time spent will be required for inclusion in the budget. A quarterly recharge of that person's time would be required in the accounts e.g. to credit E05 Admin / Clerical and to charge E31
- All other directly attributable costs should be charged to E32. With regard to indirect expenditure, schools are not expected to apportion the cost of areas such as energy, maintenance or cleaning where, after analysis, only minor sums would be attributable. However if the activity is a significant contributory factor to such costs, then expenditure should be apportioned to E32 on a reasonable basis e.g. on time, space occupied, sample meter readings over a typical period etc. For any services setting up Community Focussed facilities with sports pitches/premises it is advisable that separate meters be incorporated to enable monitoring and charging of energy costs.

Appendix 2 provides further guidance to schools in deciding whether a particular type of extended activity should be considered pupil or community focussed

Capital

Capital income and expenditure should be included in the annual budget but care must be taken to ensure expenditure is of a capital nature.

The definition of capital expenditure for schools purposes comprises:

- the cost of acquiring land & buildings costing over £5,000
- the cost of new construction costing over £5,000
- the cost of conversions forming a new structure or use costing over £5,000
- the cost of extensions to existing buildings costing over £5,000
- the enhancement* of buildings costing over £5,000
- Acquisition of vehicles plant equipment or machinery costing over £5,000
- A single purchase of ICT Hardware, software or infrastructure costing over £2,000

Enhancement* involves either a substantial increase in the asset's value OR a substantial lengthening of its useful life. It excludes repairs and maintenance, for example re-roofing a building would normally counts as capital expenditure, whereas replacing missing tiles would not.

Any acquisition or work on the above areas costing below £5,000 is not classified as capital and therefore must be treated as revenue expenditure.

Major capital schemes at Community and Foundation Schools are the LA's liability although schools may be asked for a contribution.

THE TREATMENT OF CAPITAL INCOME & EXPENDITURE IN THE ACCOUNTS DEPENDS OF THE LEGAL STATUS OF THE SCHOOL

Budgeting for Capital – VA Schools

The land & buildings are owned by the Governors who, in the form of Devolved Formula Capital, receive funding direct from the DfE for premises and ICT capital expenditure. Therefore, for VA schools:

- **DFC must not be paid into the school's budget share account, but into a bank account in the name of the Governors (or diocese)**
- **VA schools can not contract or pay directly for any capital work to the schools premises**

Therefore VA schools are not normally expected to show capital income and expenditure budgets on their annual budget plan.

Budgeting for Capital - Community & Foundation Schools

Community & Foundation schools receive their Devolved Formula Capital allocation direct to their Budget Share Account from the LA and must use it to implement priority capital works identified in their Asset Management Plan.

Full details of accounting/coding are given in Section 3 Capital.

Budgeting for Contingencies

Due to the inherent uncertainty of financial projections it is prudent and good practice to include a contingency in the budget. Experience and review of past performance should assist in deciding on the level of contingency and provision may be made on account of the following factors:

- Possible inaccuracy of expenditure estimates contained in the annual budget
- Funding adjustments following the loss of High Band Statemented Pupils
- Funding reductions following Excluded Pupils
- To act as a provisional underspend to be carried forward to the next financial year

However, schools are not expected to hold contingencies or balances without specific reason. Other sources of risk can be managed by insurance cover or other arrangements e.g. pooling scheme for long-term sickness and maternity leave.

Funds for specific projects or developments in future years should be budgeted under the Heading 'Revenue Projects Future Years' and not against Contingency.

Schools are expected to plan the use of anticipated revenue income and expenditure over 3 years.

Common Budgeting Errors

Common errors & omissions that often need correcting before the budget can be accepted are shown below. Schools should pay particular attention to these areas to ensure the accuracy of the budget and to avoid its rejection by the LA:

- B/fwd Balance – the estimate of under or overspend to be brought forward should be as accurate as possible. Estimates which are significantly inaccurate can undermine the basis on which the budget was approved by Governors – leading to the LA requiring the school to re-consider and re-submit the budget before it can be accepted
- I09 Income from Catering – schools in the Corporate Catering Contract must include a budget for the (often significant) income that is collected from pupils and staff for the provision of meals.
- I12 Income from Contributions and I13 Donations/Voluntary Funds - some schools that have received significant income from these sources in previous years often show zero estimates for the forthcoming year. All income (and the related expenditure it funds) which is reasonable to anticipate must be included in the budget. For example where precise details of school trips are not certain, appropriate estimates of income and expenditure based on previous years activities should be included so that virements are only required for significant variations.
- E11 Staff related Insurance – several Community and Foundation schools have previously failed to make provision for this mandatory insurance area.
- E20 ICT Learning Resources – many schools incorrectly include ICT capital related items on this code.
- E25 Catering Supplies – many schools in the Corporate Catering Contract only accounted for the cost of free school meals – ignoring the fact that they will be invoiced for the cost of all meals provided.
- E30 & CI04 Direct Revenue Financing – the budgets shown on these two codes must be equal.
- Total Planned Revenue Expenditure exceeding Total Revenue Resources Available. Deficit budgets are only allowed in exceptional cases with the approval of the Chief Finance and Chief Education Officers – in which event the school is bound by the terms & conditions of the Licensed Deficit procedure (as laid out in Section 4.9 of the Scheme for Financing Schools)

Balance Variations

Given that the Annual Budget has to be approved by the 31 March, schools have to estimate their brought forward balances as final actual balances are not normally known until sometime in April.

Therefore it is usual that there will be some difference between the estimated balances and the actual balances.

Where these are considered by the LA to be minor differences, the LA will make the following amendments to the schools Annual Budget Plan:

- Revenue: The difference is added to (or taken from) Contingency. However, where the school overestimated the balance by an amount which can not be covered by Contingency, the LA will return the budget to the school for re-evaluation
- Capital: The difference is added to (or taken from) Capital Resources Held for Future Years. Where no budget has been set on this area, the LA will contact the school to establish which particular capital expenditure budget (CE01 – CE04) is to be adjusted.

Amendments to Annual Budget

Each school should have its own individual policies & practices of approving virements and inputting the effect of these onto their local accounting system. However schools should not submit these virements to the LA. Instead, all virements should be authorised consistent with the school's delegation of powers / Financial Management Policy and retained for reporting to governors and inspection by auditors. This will have the effect of enabling school managers and governors to monitor their income & expenditure against an up to date budget. School budgets held on the LA's formal accounting system (SAP) will be updated twice yearly based on the information provided by schools on their Year-End forecasts.

[NB: exceptions to this may apply to those schools that give financial cause for concern - where with the agreement of the Chief Finance Officer, material alterations to the school's budget will be accepted in between the original Budget Plan and two Year-end Forecasts].

Contact Points

- School Funding Team (020 8359 7636 / 7377 / 7378 / 7816) for all queries over funding allocations e.g. Budget Share, 6th Form Funding and Pupil Premium
- Schools Accountancy Section (020 8359 7228 / 7223 / 7227) for all other queries regarding the preparation of the annual budget

