

Section 2: Financial planning

2. Why is this area important?

Financial planning is an essential part of good financial management. It provides a school with a clear view of how it intends to use its resources. It has two interrelated elements: the School Improvement Plan and the school's budget.

Good budgeting means not running into deficit, but equally not carrying large balances of unspent money from year to year without good reason. This means considering how the budget for a particular area of spending will balance out over a longer period than the next financial year.

General contacts

Gary Redhead: Assistant Director – Schools Planning & Resources
gredhead@ealing.gov.uk

Adam Whalley: Programme & Commercial Manager
AWhalley@ealing.gov.uk

Schools Accountancy Services:
schoolsaccountancyservices@ealing.gov.uk

2.1. School Improvement Plan

Development and budget planning

The school should have a School Improvement Plan (SIP), which includes a statement of its educational goals to guide the planning process.

Medium term educational and budget plan

The SIP should cover in outline the school's educational priorities and budget plans for the next three years, showing how the use of resources is linked to the achievement of the school's goals.

There must be a clear link between the budget and the improvement plan. Within the support notes of the [SFVS](#) there is guidance on a process for linking the SIP to the budget. Such SIP's should feed into medium term educational and budget plans.

In creating a SIP schools are expected to consider the management of resources through the consideration of the DfE's [10 planning checks](#).

2.2. Budgeting, Surplus' & Deficits

- Budget setting process
- To ensure that Schools stay within budget from 2016/17 onwards it is recommended that schools complete 3 year forecasts of spend and budgets so that early action can be taken by schools in response to possible pressures. This is mandatory for Ealing maintained schools as of April 2017.

Planning for solvency

The school's budget should be based on realistic estimates of all expected expenditure and income, including grant income, so that planned expenditure does not exceed the available budget.

- For more information on the setting of realistic estimates for the elements listed above please refer to the [estimate guidance notes](#).

Periodic review of budget

The governing body should ensure that the main elements of the school's budget are periodically reviewed to ensure that historic spending patterns are not unhelpfully perpetuated.

Budget profiling

The governing body should ensure that the main elements of the school's budget are periodically reviewed to ensure that historic spending patterns are not unhelpfully perpetuated.

- The LA has a set budget planning timetable for issuing budget figures to allow schools to prepare estimates of expenditure and income sufficiently in advance of each financial year to allow for consideration and approval by the governing body. Even if details of the school's funding have not been finalised it is important that the governing body considers spending priorities in the light of the estimated or indicative budget.

January/February	May
Indicative LA production of school budget allocations for the next financial year, reflecting October school pupil census numbers. Indicative in January with final figures in February	School submission of balanced budget by the 1 st Friday in May.

- For a timetable for budget approval and various publication please refer to the draft annual timetable in the [guidance on budget process 2016-17 document](#).

(See Appendix 4&5 for suggested Timetable for Heads / Finance staff)

- School Deficits
- Governing bodies are not allowed to plan for a deficit budget unless they have prior approval from the LA for a licensed deficit budget. For approval to be given, schools need to provide an explanation for incurring a deficit and produce a financial plan stating in detail how the deficit will be paid back within a maximum period of three years.
- Emphasis of early action and indication to LA – these both involve LA intervention
- For additional information on school licensed deficits please refer to section 4.9 of [Ealing's scheme for financing maintained schools](#).
- Surpluses
- Local Management of Schools' Budgets provides the opportunity to accumulate funds for specific projects. However, funds put aside from a

given year's budget for no particular purpose will be at the expense of the resources available for the education of the current cohort of pupils.

- For information on the budget control mechanism please refer to the section 4.2 of [Ealing's scheme for financing maintained schools](#).
- The planned level of balances should be the product of a conscious decision formally approved by the governors and linked to the School Improvement Plan. Governing bodies and parents should be fully aware of the actual and budgeted levels of carry-forward at their schools. Governors should be given the information to make considered judgements taking account of all the circumstances about the level of carry-forward for which they are budgeting.
- The practice of holding balances as 'reserves', which are not included as part of the annual budget setting exercise, is not considered appropriate. By including balances in the annual budget, schools will ensure that balances are properly linked into the School Improvement Plan and are not simply held as unspecified contingency funds.
- Inevitably during the year actual levels of balances will tend to deviate from the plan because of unforeseen factors. The level of balances should therefore be reviewed when:
 - i. considering the prospects for the medium term budget.
 - ii. in determining the annual budget.
 - iii. at the start of the spring term (when schools have a good idea of any expected surplus in the current financial year).
- It is important that balances built up through cautious budgeting should be considered as part of medium term budgeting to determine realistic balances that need to be held by the school, for example to offset specific reductions in financing anticipated in the future.

2.3. Capital Expenditure

- Capital expenditure is expenditure on items costing more than £10,000 that will provide benefit to the school for more than one year. Such items include expenditure on land, construction work, high value equipment, and vehicles.
- For additional information on capital expenditure from budget shares, please refer to section 2.14 of [Ealing's Scheme for Financing Maintained Schools](#).