Section C: Budget monitoring

Why is this area important?

Regular monitoring of income and expenditure against the agreed budget is central to effective financial management. It allows governors, the head teacher and staff to maintain financial control by reviewing the current position and taking any remedial action necessary. However budgets are not set in stone. The original budget may need regular updating, following consultation with governors, to take account of in-year developments. If this is done it is important to retain a copy of the original budget to support future budget construction.

Careful monitoring of the budget also provides a mechanism to hold budget holders to account. This applies both to the use of devolved budgets within the school and to the way the school’s resources are being used more broadly.

In practical terms, budget monitoring involves examining monthly monitoring reports and taking action to tackle any significant variances. This process should be carried out at all levels and include any devolved budget elements. Expenditure on individual initiatives should be tracked to enable the school to assess their costs and effectiveness against the criteria set out in the School Improvement Plan. By receiving regular reports, the governing body can feel secure about the way its decisions are being implemented and take action where it is needed to bring about changes. In this way, budget monitoring provides a useful starting point when setting the budget for the following year.

Guidance on schools’ budget management – assistance in financial planning, including benchmarking using your school’s CFR (Consistent Financial Reporting) information – can be found at:
www.education.gov.uk/sfb/login
Online support for schools is also available from the NCSL website at
www.ncsl.org.uk/fmis

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KYB STD C 1
Monthly monitoring

The head teacher should produce monthly budget monitoring reports for income and expenditure, including sums committed but not yet paid and out-turn forecasts, against the approved budget. These reports should be reconciled with the LA’s and, where necessary, the school’s accounting records.

1 Schools can run reports from their local accounting systems (the majority of schools in Ealing use the SIMS FMS accounting package) which can provide them with the necessary information to produce an income and expenditure report. Children’s Finance sends out a monthly Budgetary Control Report to schools detailing the payroll and non-payroll information. These reports are up to date for payroll. Non-payroll details reflect the information provided by the school in its last Finance return and so may not be up to date. Schools need to carefully check these reports for accuracy against their own local accounting records and raise any :-

   I. payroll queries with Schools' HR on 020 8825 9000 OPTION 1 and for
   II. non-payroll errors with the Children’s Finance on 020 8825 6052.

2 Queries should be raised as soon as possible, to ensure that the corrections can be processed in time for the next Budgetary Control Report. The onus is on schools to thoroughly check and interpret the reports produced by the LA and produce their own customised reports taking into account any errors and reflecting an updated position from their own local accounting records. The Schools’ Bursarial Service can assist the school in preparing tailored reports to governors and head teachers.

3 Although the Standard sets out that Monthly Budget reports should be produced and reconciled, generally schools may find that it is not practical or necessary for such work to be presented to Governors monthly.
The head teacher should provide budget monitoring reports to the finance committee at least once a term. These should show any significant variances against the budget with explanatory notes and, where necessary, remedial action plans including virements.

**Regular reports to governing bodies**

1. Nationally many schools are failing to report committed expenditure to governors. This means that the most up-to-date position of the school is not being reported. To correct this, schools should include committed purchases either by having a consolidated column for “actual and committed expenditure to date” or by having separate columns for actual expenditure and committed expenditure.

2. For governors to be able to judge the position of the budget realistically, budget reports should be accurate, up to date and presented in a form that is easy to understand. They should either:
   - Show the projected out-turn, based on actual expenditure to date; or
   - Compare actual expenditure to date with the amount of budget, which can be expected to have been used at the date of the report (profiling).

3. Schools should set up a finance committee that meets regularly, at least once a term, to monitor the budget.

4. SIMS FMS module can provide the necessary information from which reports can be extracted.

**Annual report to parents**

There are a wide variety of practices adopted by schools in reporting the financial position of the school to parents. School may well find it helpful to have a standard report. It is strongly advised that this should include the build-up of balances and how the school plans to use the money.

**Transferring funds between budget headings (virement)**

- Schools must have a written set of rules regarding virement indicating who has the authority to vire budgets at what level. A possible framework for virement is illustrated in the “Scheme of Delegation”, (Refer to Standard A2 Governance)
• Virements must be actioned when the need arises to ensure that decisions are made on the most accurate and up-to-date budget information. They must be recorded for future reference so that there is a clear trail from original to revised budget. In order to avoid small time-consuming virements, governors should determine a financial limit appropriate to the size of the school budget below which the head has delegated authority. (See Appendix 6).

• Reports to governors must show both original and revised budgets against actual expenditure. Commentaries must summarise the reasons why revised and original budgets differ and why actual expenditure differs from the revised budget.

Children’s Finance must also be informed of any virement so that the schools budgetary control report can be updated with the change in budget. A standard virement form must be completed and authorised by Head teacher or appropriate Governor in accordance with the virement limits set out in the schools scheme of delegation. Blank copies of the standard virement form can be obtained from Children’s Finance / downloaded from EGfL or from your School Bursarial Officer if your school buys into the Schools’ Bursarial Service. (See Appendix 9)

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<tr>
<th>KYB STD C 3</th>
<th>Monitor against SIP plan</th>
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<td>The head teacher should monitor expenditure on the initiatives set out in the School Improvement Plan.</td>
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<th>KYB STD C 4</th>
<th>Delegation of financial responsibility</th>
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<td>If budget elements have been devolved, departmental budget holders should receive and review monthly reports comparing the amount spent or committed to date against their budgets. The head teacher should monitor these reports periodically and take action where necessary.</td>
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1. The SIMS FMS module can provide budget holder reports from the system if they have been set up as separate cost centres.

2. The head teacher, with the assistance of the finance officer, should monitor these reports on a monthly basis. Controls can be placed in the accounting systems that would not allow expenditure in each budget to go over the allocation.
KYB STD C 5
Monthly cash flow forecasts

The head teacher should produce monthly cash flow forecasts to ensure that the school’s bank account does not go overdrawn.

1 The school should obtain a bank statement at least monthly as a minimum (Refer to G1 Banking) to reconcile with the bank accounting records on their local systems. SIMS FMS module will show the cash flow position at the bank and if the school bank account and statement balances do not match, this will highlight any errors that need to be corrected. The reconciliation should be reviewed on a timely basis and signed as evidence of the review by the Head. The bank account should be fully reconciled and all reconciling items/differences fully explained and documented.

Consistent Financial Reporting C6

1 Consistent Financial Reporting (CFR) standardises, simplifies and streamlines the reporting of school finances in all local authority (LA) maintained schools in England.

2 The CFR data has been used to populate the DfE’s Schools Financial benchmarking website, giving those schools the opportunity to compare their income and expenditure with those of similar schools. In addition, the CFR data is used to pre-populate part of the Section 251 outturn statements.

3 CFR increases the level of accountability of school managers whilst prompting schools to become more self-managing. Access to benchmarked data allows school managers to make better-informed decisions when deciding annual budgets, thus improving overall efficiency year on year. CFR facilitates networking between schools and encourages ‘learning by looking’ where schools look to each other for advice on best practice.

4 The approved headings for the CFR framework came into force on 1 April 2003 in preparation for the first full data collection exercise.

5 Consistent Financial Reporting (England) Regulations 2003 (SI 2003 No. 373) is a statutory instrument that came into force on 1 April 2003.

6 LA’s are responsible for setting the date that schools will need to submit their return.
The CFR regulations state that LA’s notify schools of this date no later than 15 April each year.

Currently DfE use COLLECT (Collection On-Line – Learners Education Children and teachers) to capture CFR data from schools and local authorities. It offers much-reduced data processing/cleaning times and the ability for schools, local authorities and the Department to view the same version of data in real time. Data received by the DfE is published on the Audit Commission’s benchmarking website in November of each year. Schools should refer to the website as part of the benchmarking/Value for Money Process.

The website address is: www.education.gov.uk/sfb/login

C7 KEY AUDIT RECOMMENDATIONS

1. Budget monitoring – in order to provide evidence of monthly budget monitoring, the school budget reports should be prepared including income and expenditure, sums committed but not yet paid and out-turn forecasts, against the approved budget. These should be reconciled with the budget reports as provided by the Council. Budget reports should be signed off with explanations of variances. Summary reports should be prepared for governors. A “Budget Monitoring” section should be included in the minutes plus any comments.