

2.5 BUDGET MONITORING AND CONTROL

Introduction

Monitoring and control should be a continuous process throughout the financial year. They're ongoing functions and extremely important, not only in the current year to gauge actual performance, but also to aid future planning and decision making. To be able to monitor budgets effectively, actual expenditure and known commitments must be reported to give budget holders, the Headteacher and Governors a clear view of the overall financial position of the school. Prompt and regular reports should be prepared so that information is available to enable a quick and effective response. The frequency of reports will depend on user requirements.

The monitoring reports should promptly highlight variances from the budget so that failure to deliver can be investigated and action taken, where appropriate. Procedures for authorising budget virements must be stated in the school's Financial Management Policy and Procedures.

Criteria for evaluating performance against targets should be set. The process for monitoring and review should be reasonably flexible to allow for the profiling and timing of income and expenditure to best meet the needs of the school.

Whilst school processes are a matter for each individual school the following sets out recommended practice.

Budget Monitoring Reports

Whilst there is considerable scope for local variation according to the size and organisation of the school the following levels of reporting are considered good practice.

a) Governing Body (or Finance Committee)

The purpose of the report is to inform the governors of the actual position against budget (agreed financial plan) and report on any significant variances. This will enable the governors to agree budget virements and/or amend the development plan. If necessary alter the timing of projects with a significant financial effect.

The report should be termly or quarterly and at the analysis level of coding used to report to the LA. It should include all commitments formally entered into, e.g. orders raised or Service Agreements authorised.

b) Headteacher (or Senior Management Team)

The purpose of the report is to enable all expenditure (and income) to be closely monitored to ensure accurate financial records and early detection of any significant deviation from the financial plan and development plan.

The report should be monthly and at a more detailed level than the LA reporting code structure, e.g. not energy but gas electricity and fuel oil. The precise breakdown is dependent on school circumstances. It should include

all commitments formally entered into, e.g. order raised or Service Agreements authorised.

c) Budget Holders (e.g. Departmental Heads)

The purpose of reports to budget managers within the school is to ensure that those individuals with delegated responsibilities have adequate information to control their budgets and ensure agreed targets are met.

The reports should be on a monthly basis and include all commitments formally entered into, e.g. orders raised or Service Agreements authorised. Internal recharges to departments e.g. photocopying should be made monthly.

Payroll Monitoring

Given that payroll costs normally account for over 80% of a school's budget it is essential that these are accurately calculated in preparing the budget and closely monitored thereafter. Detailed information from the school's payroll bureau should facilitate this.

The school should receive a statement, with members of staff broken down into the groups required for financial return to the LA. For each member of staff details should be given of hours, gross pay, on-cost (NI/superannuation), total cost. For each member of staff the total cost should be compared to the school's salary estimates. Payroll transactions for additional hours and/or overtime should be checked to source documents. Any apparent discrepancies should be reported to the Payroll Service. Ideally the supply of information and any corrections should be notified in sufficient time for correction prior to payroll run. For schools that buy into Schools Finance Support a spreadsheet is available to facilitate salary monitoring.

Income Monitoring

Schools should not overlook the need to monitor income budgets as closely as expenditure, as an income budget not realised is equivalent to an overspend and, if significant, will require compensatory savings elsewhere in the budget.

Statement of School/LA Accounts

The purpose of these reports is to confirm to the school the budget, income and expenditure data entered into the LA's accounts. These reports are produced from the LA accounting system 'SAP'. These reports state the formal position of the school's revenue and capital accounts based on budget and expenditure information made available to the LA from the school (e.g. Budget Plan, Monthly Posting Summaries) and the LBB Payroll Service (e.g. Salaries & Wages paid on behalf of the school). The only other items to appear on the reports relate to "Closing Entries", which are the creditors, debtors, Receipts and Payments in Advance that are reported to the Chief Finance Officer at the year end.

The report should be checked and reconciled with the school's local accounting records on a monthly basis and any apparent errors should be reported to the

Schools Accountancy Section. Schools.accountancy@barnet.gov.uk See Section 2.9 of the Financial Guide for schools - Statement of School / LA Accounts for more detailed guidance.

Variations - virement practice

A budget is always set in advance of the activities defined by it taking place. It is inevitable that the budget against some sub codes will not be accurate. This is either due to uncertainty of the exact cost of the activity or uncertainty in the level of activity. Alternatively a school may decide during the course of a year to amend its budget to proceed with another activity included in its School Improvement Plan, using funds originally allocated to another activity or using funds set aside in contingency.

The annual budget is a financial plan of the year's activities. If a variance is forecast, it is necessary to adjust the budget accordingly. This will ensure that the budget will continue to match the now revised plan of activity against the codes concerned. The process of adjusting the budget is called virement.

The purpose of virement is to assist in the control of the budget and ensure that the school operates within the finances available but achieves as many of its objectives as possible. (It is not to ensure that budgets are amended to reflect expenditure for presentational purposes) Whenever significant variations are projected it is important to determine their reasons before deciding what action should be taken.

Generally virements should be raised in advance of any overspending as this ensures funds can be vired to meet expected need. The only exceptions would be unpredictable events outside the control of school management such as flu epidemic affecting the supply budget or exceptional weather conditions affecting energy budgets.

It is recommended that budgets are reviewed on a systematic basis and virements are implemented in the school's local accounting system on a termly or quarterly basis according to the school's financial monitoring timetable.

Virements should be reported to the LA schools.accountancy@barnet.gov.uk as part of forecasting process. Year end forecasts are required to be submitted to the LA as at the end of September and December each year. The LA SAP reports will then be updated with the current budget as at September and December. See section 2.3 of the Financial Guide for Schools for more guidance.

Contingency – Virement Practice

The contingency code is a holding code for funds set aside to provide for unforeseen expenditure, no expenditure must be charged to this code.

If a significant variance is forecast on a revenue budget heading, the rest of the revenue budget should be examined first, to see if a compensatory saving can be identified for virement before consideration is given to using contingency. If no other source of funds can be identified a virement should be made in the normal way.

Special Projects – Virement Practice

This holding code is for holding funds for Special Revenue Projects to be undertaken in future years, no expenditure must be charged to this code. Funds for a special revenue project during the current financial year should have been included against the relevant expenditure code on the schools Budget Plan at the start of the year. However if this was not done or the Governing Body is able to bring forward the timing of the project, funds should be vired to the most appropriate revenue code.