

GUIDANCE ON PREPARATION & SUBMISSION OF THE 2012-13 BUDGET

Introduction

You will have been provided with a statement of your provisional Budget Share for the forthcoming financial year. On the basis of this, and other relevant funding and budgeting information supplied by the LA, the Governing Body must consider the school's spending requirements for financial year 2012-13 and prepare a draft budget. A statement of your actual budget share will be provided by **12 March** and the Governing Body is required to approve its budget for 2012-13 by the 31 March. In doing so you must take account of the expected under-spend or overspend to be carried forward as at 31 March 2012.

There are changes in the following areas for 2012-13

- accounting arrangements and coding
- changes to grants and grant arrangements

Full details are given below.

Format of Annual Budget

The budget must be submitted in the format "School Budget Financial Year 2012-13 Form". The form is available as an E-Form from the Schools Accountancy Section and can also be found on the Finance & Funding Website on the Barnet Grid for Learning. The form shows the Council's coding structure consistent with the national CFR coding for schools with minor changes from last year, and includes the B06 balance for Community focussed school revenue balance.

Method of Submission

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

schools.accountancy@barnet.gov.uk

as soon as possible after approval and no later than 1 May 2012.

The Local Authority also requires a paper version of the budget 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
Building 4, North London Business Park,
Oakleigh Road South,
London N11 1NP

CHANGES FOR 2012-13

CFR Coding Changes

There are the following changes to the coding structure

- I18 – New code for - Additional Grants for Schools

Grants

Standards Funds grants have been “mainstreamed” and included in the DSG (Dedicated Schools Grant). However as far as possible the allocation of these grants will follow the method of allocation previously used and details will be included in the School Budget Share/ Formula Allocation. CFR codes I01-I04 & I15

Pupil Premium continues. CFR code I05

Additional grants for schools have been introduced and include Maths Advanced Skills Teachers (MAST), New Opportunities – ASTs, Phonics, and PE Teacher Release. CFR Code I18

Devolved Formula Capital grant – allocations are significantly below historical allocations but remain at a similar level to 2011-12. CFR code CI01

Traded Services and other Contracts

Schools must review which services they wish to purchase and make budgetary provision accordingly.

Budgeting for “Extended” School Activity

In April 2011 there was a change in the grant arrangements and the law. The law has been amended enabling schools to spend their delegated budgets on community facilities. The School Standard Grant (SSG) has been subsumed within the DSG and included in the School Budget Share. Schools need to adhere to the accounting arrangements set out below.

There are two distinct types of Extended School Activity - ‘Pupil Focussed’ and ‘Community Focussed’.

Pupil Focussed - activity which serves to benefit the pupils, e.g. Breakfast Clubs, Reading & Study Clubs, Parenting classes and which is provided outside of the normal school day. The budgeting and accounting treatment is as follows

- Any 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 School Activity **can now** be funded from the school's delegated budget but it is recommended the associated costs do not exceed income from grants and charges. All income and expenditure associated with Community Focussed Activity is separately identifiable within the CFR coding structure.

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

- Income from charges levied for Community Focussed Activity should be coded to I17
- All staff who work wholly or mainly on Community Focussed 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 only minor sums would be attributable. However if the activity is a significant contributory factor to such costs, then expenditure must be apportioned to E32 on a reasonable basis e.g. on time, space occupied, sample meter readings over a typical period etc.

[Community Focussed Activity may be confused with the letting of school premises – which is not classified as Community Services 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 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 School Activity].

Capital

Capital expenditure, for schools purposes, comprises: -

- the cost of acquiring land & buildings
- the cost of new construction
- the cost of conversions forming a new structure or use
- the cost of extensions to existing buildings
- the enhancement* of buildings
- Acquisition of vehicles plant, equipment or machinery
- 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, e.g. re-roofing a building would normally count 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, **with the exception of ICT purchases for which the new limit is £2,000.**

However where a capital project includes building work and furnishings and equipment which are an integral part of the project, e.g. carpets and shelving in a new library, then such items can be treated as capital expenditure as setting up costs. The cost of professional fees associated with specific building work (e.g. architects) can also be treated as capital expenditure.

The treatment of capital income and expenditure in the accounts depends on the legal status of the school. For VA schools the land & buildings are owned by the Governors who, receive funding (Devolved Formula Capital) 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

Schools are provided with devolved capital funds that they must use to implement capital priority works as identified in their Asset Management Plan. Schools should plan capital programmes over a longer period than the annual budget and three or five years is suggested. The budget should relate to that part of the School Improvement Plan relating to Asset Management or Premises Plan. **In the light of the significant reduction in Devolved Formula Capital allocations schools must review their plans.**

Budgeting for Contingencies and Balances

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, e.g. re fuel price changes
- Funding adjustments following the loss of High Band Statemented Pupils
- Funding reductions following Excluded Pupils
- To act as a provisional under-spend to be carried forward to the next financial year

However, schools are not expected to hold contingencies or balances without specific reason. Many 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 and link this with the 3 year School Improvement Plan.

Schools must be aware that a large contingency can turn into a large surplus balance at the year end and would normally have been subject to claw-back of surplus revenue balance procedure. However the latest DfE guidance allowed

authorities to remove the Scheme clause requiring claw-back of surplus revenue balances. Barnet has removed the claw-back clause from it's Scheme.

The removal of the "claw-back clause" does **not** obviate the need for schools to have accurate annual budgets and robust 3 year financial plans linked with School Development Plans of the same duration.

Budget acceptance and 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 the end of 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 amend the largest budget set.

Contact Points

- Funding Team (020 8359 7636 / 7816) for all queries over funding allocations e.g. Budget Share, 6th Form Funding.
- Schools Accountancy Section (020 8359 7225 / 7203) for all other queries regarding the preparation of the annual budget.