

Finance Manual

Section A

Budget Preparation
December 2024

Contents

1. Management Overview

- 1.1 [Statutory and LA requirements](#)
- 1.2 [Budget planning – roles and responsibilities](#)
- 1.3 [The budget plan and the school improvement plan \(SIP\)](#)
- 1.4 [Medium term financial planning](#)
- 1.5 [The budget cycle](#)

2. Detailed Procedures – Budget Planning

- 2.1 [Budget planning](#)
- 2.2 [The formula allocation and verification & forecasting tools](#)
- 2.3 [Other government grants](#)
- 2.4 [Other sources of local income](#)
- 2.5 [The carry forward](#)
- 2.6 [Budgeting](#)
- 2.7 [The draft budget plan – Autumn term](#)
- 2.8 [Budget planning – Spring term](#)
- 2.9 [Final budget plan – Summer term](#)
- 2.10 [Budget plan and local bank account](#)

Annexe A (separate document)

Detailed budget preparation guidance including assumptions

Budget plan workbook – Excel (separate document)

Verification & forecasting tool – Excel (separate document)

IPSB (EHCP funding) – Estimator – Excel (separate document) – there are now two estimators available during the transition to the banding system, one for the old IPSB points system and one for the bands system.

1. Management Overview

1.1 Statutory and LA requirements

Schools are required to produce a budget plan detailing estimates of expenditure for the forthcoming financial year. Schools must make every effort to balance their budget within the resources they have available to them, as any deficit will require repayment. Schools have no legal powers to set deficit budgets, and the local authority has no power to write off one.

The budget plan itself is a complex spreadsheet document for the main school. Networks and confederations may also use the plan to prepare a budget for local approval. Those schools with family centres should complete a separate plan for these services. The relevant budget plans as per Annexe A should be completed and submitted electronically, once approved by the governing body or management committee, to the School Finance & Monitoring Team by the 30 November, for the draft budget plan for the following year and by 1 May for the final budget plan.

Separate budget plan templates are made available for mainstream schools and special schools & PRU's due to the different funding streams of each.

[Back to contents](#)

1.2 Budget planning – roles and responsibilities

The definition of roles and responsibilities is of importance not only to budget planning but every aspect of the school's management of its financial resources. The role of the governing body, the finance, or resources committee, the headteacher and the SBM/SBL should be clearly defined. This is a requirement of the SFVS (Schools Financial Value Standard). Where the governing body has delegated authority to a subsidiary committee or to the headteacher, the limits of that authority should be clearly established and form part of the school's finance policy. It would be usual for the governors and headteacher to establish the policies and priorities behind the budget plan (see point 1.3) which the school business manager would cost in detail for incorporation into draft plans and finally an approved plan.

[Back to contents](#)

1.3 The Budget plan and the school improvement plan (SIP)

The budget plan should support the school improvement/development plan. In constructing the budget plan, the SIP will be used to identify the school's aims and objectives and areas for development. Where there are competing bids for funds these may be ranked in order of priority and incorporated into the budget plan as funds allow. The budget plan should not merely be an incremental exercise year on year based solely on historical spending patterns (although many costs will be 'fixed') but tied firmly into the SIP. In setting the budget and agreeing expenditure policies the school should also consider the medium term.

[Back to contents](#)

1.4 Medium term financial planning

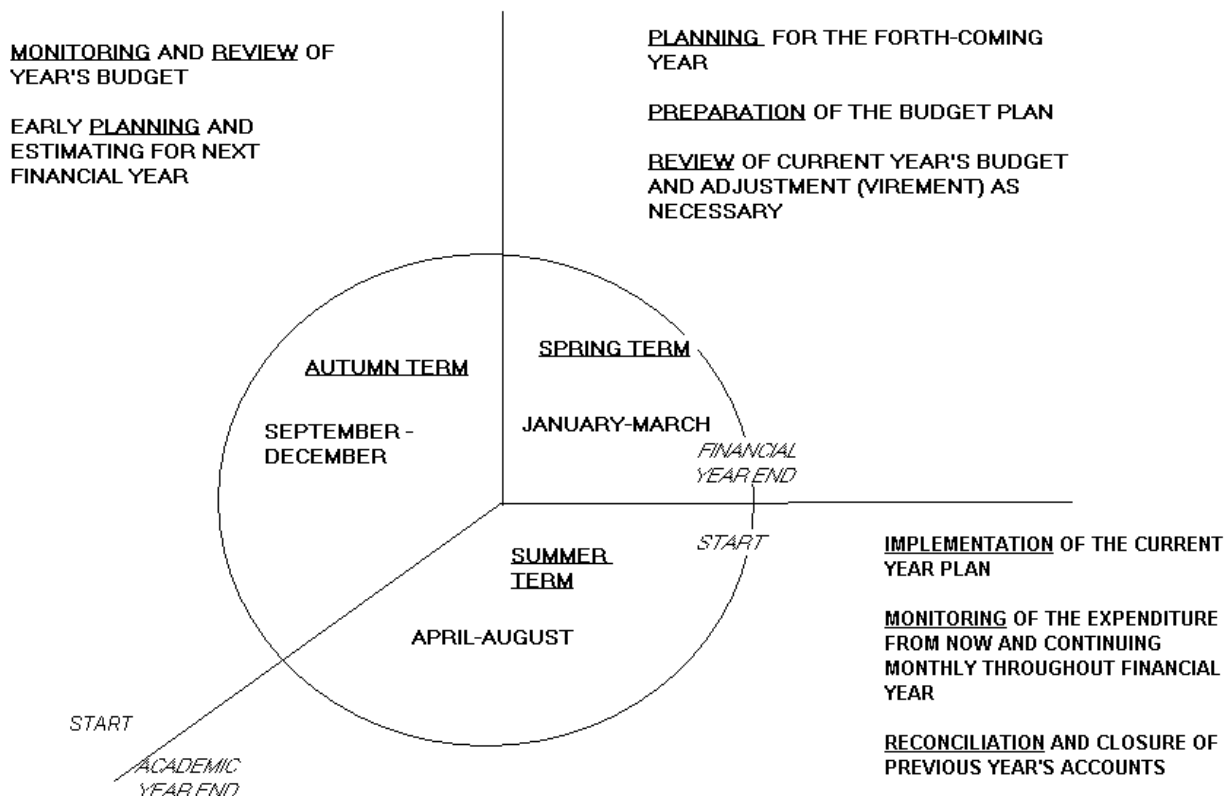
From April 2021 governing bodies are required to submit a three-year budget forecast each year to confirm schools are undertaking effective financial planning. By using the indicative budget and projecting expenditure, the school will be able to estimate its financial position in future years and take appropriate action, if necessary, to avoid potential deficit. Three-year budget planning is incorporated into the budget plan template found in this section of the finance manual.

[Back to contents](#)

1.5 The budget cycle

Budget planning, monitoring, review, and evaluation form a constant cycle. An example of the cycle is shown in the diagram below. Schools may wish to use this as a basis for drawing up their own budget planning timetables.

THE ANNUAL BUDGET CYCLE



[Back to contents](#)

2.Detailed Procedures – Budget Planning

2.1 Budget planning

The preparation of a draft and final budget plan is a cyclical process as illustrated in paragraph 1.5 of the management overview. The purpose of this section is to outline the steps that schools may take in constructing their budget plans and to highlight some issues that ought to be considered at each stage.

[Back to contents](#)

2.2 The formula allocation and verification and forecasting tools

The process that leads up to the calculation of the school's amended formula allocation is usually completed in February. A notification containing the school's initial budget share figures, together with notes and guidance notes is sent to each school from the Schools Funding Team.

A verification and forecasting tool is made available within the Surrey Education Services Hub: *Resources>Schools Finance Resources Area>School Budget Verification and Forecasting Tools*.

This tool enables the school to enter certain basic input information (e.g., numbers on roll, school type etc) to verify the current year's allocation and amend indicative allocations for future years.

[Back to contents](#)

2.3 Other government grants

Schools will need to make estimates for other sources of government grant funding where advice has been received that the grant will continue for the following financial year.

[Back to contents](#)

2.4 Other sources of local income

Schools should include realistic estimates of other sources of income in their draft/budget plan. Categories of income include:

- Local catering arrangements
- Lettings' income
- Bank interest (local bank account schools)
- Occupational charge (residential caretaker)
- Unofficial fund contributions, remembering to include corresponding expenditure.

[Back to contents](#)

2.5 The carry forward

The estimate of the carry forward at year-end should be calculated for inclusion in the plan. The forecast of outturn from the latest financial monitoring report should provide the best source of information. Schools carry forward the balance of their delegated budgets at year-end (whether positive or negative). Although there is no clawback of surplus balances, schools should be mindful of the level of balances held. The use of these balances should be discussed at resources meetings and included in governors' minutes.

[Back to contents](#)

2.6 Budgeting

There are various approaches to budgeting. They include:

2.6.1 Incremental – adjusting last year's budget for changes in volume and funding

2.6.2 Base budgeting – identifying the minimum and unavoidable expenditure (e.g., premises and permanent staff salary costs), the remainder being 'discretionary' for planning against priorities

2.6.3 Zero base budgeting – starting with a completely clean sheet – everything must be evaluated and justified

In practice most schools adopt a pragmatic approach, combining the strengths of the various methods. For example, historic expenditure can be a good starting point for certain cost centres (e.g., grounds maintenance) but should be analysed to identify any one-off costs.

As described in the management overview above, the school improvement plan should drive the budget plan and it is important to ensure that this linkage is explicitly made to avoid a simple incremental change based on last year's budget.

The important practical points should also be noted at this stage:

- **Funding and expenditure assumptions should be the same** – if inflation is not included on funding, then neither should it be on expenditure, although pay progression will still apply
- **Contingency** – if possible, a general contingency should be included
- **Reserves/balances** - should be assigned a purpose within the school improvement plan.

[Back to contents](#)

2.7 The draft budget plan - Autumn term

The preparation of a draft budget should commence in the autumn term. Under the Surrey Scheme for Financing Schools, schools are required to submit their draft budget to the local authority by 30 November.

2.7.1 This enables the school to plan any necessary action in good time and is of special importance where staffing reductions may be required. The first task is to review the school's indicative budget (funding) for the next financial year.

2.7.2 The estimate of income can be brought together with the estimate of expenditure to form a draft budget plan. This should indicate the degree of fit between income and expenditure and indicate any extra action that may be needed to bring income and expenditure into line.

[Back to contents](#)

2.8 Budget planning – Spring term

During the spring term the draft budget can be refined as necessary. The estimate of the carry forward can be revised as appropriate by continued and careful monitoring of the current budget. The final budget allocation for the following year will be sent to schools by the end of February.

[Back to contents](#)

2.9 The final budget plan - Summer term

Once the formula allocation is finalised, the draft budget prepared earlier can be replaced with a final budget plan that is updated to reflect this allocation and to include any latest information around pay and price changes. To assist schools in preparing their final budgets, Annexe A & A1 of this section of the finance manual are updated. The information contained within the annexes provides detailed notes and guidance for income and expenditure headings, by CFR reference.

Please note the following:

- **Teachers' salaries** – the salary calculations should include progression and pay award from September (where appropriate) in the first year. Thereafter, incremental changes should be incorporated but at September year one levels.
- **Support staff salaries** – the salary calculations should include progression and pay award from April (where appropriate) in the first year. Thereafter, incremental changes should be incorporated but at April year one levels. Note that the pay tables will include the pay award if agreement has been reached. Otherwise, a rate of anticipated increase will be recommended which can be applied to existing pay scales.
- **Rates** – an expenditure sum equal to the rates figure allocated must be included in the budget plan.
- **Where a variation to the Surrey Scheme for Financing Schools** entails expenditure on a new area of delegation, the budget plan should include an estimate of expenditure for this new item.
- **Pupil numbers** – the formula allocation is based on the preceding year's October count. There are no in-year adjustments; any changes in pupil numbers over the year will be picked up in the following October's count. Any exceptions to this are included in the Surrey Scheme for Financing Schools.

The governing body should approve the final budget. It should then be submitted via email to the School Finance and Monitoring Team using the email address schools.budgets@surreycc.gov.uk. Please note that either a full governing body meeting or resources committee meeting should be arranged so that the budget can be discussed and approved ready for submission by 1 May.

[Back to contents](#)

2.10 The budget plan and the local bank account

The final budget plan submitted to the local authority is used to calculate the tranches of funding transferred to the bank account of those schools participating in the local bank account (LBA) scheme. The budget plan spreadsheet will calculate this automatically based on the estimates of central and local expenditure as indicated.

For non-100% LBA schools, if the balance of planned expenditure between salary and non-salary costs changes significantly during the year (£10,000 or more), the school should submit a revised budget plan to the School Finance & Monitoring Team by 30 November at the latest to adjust tranches.

[Back to contents](#)