

Budgets and Budgetary Control Policy

RELATING TO

All Academies of the Shaw Education Trust
for the financial year 1st September 2017 to 31st August 2018

**WAS APPROVED BY THE EXECUTIVE LEADERSHIP TEAM
OR BOARD OF DIRECTORS**

SIGNED BY MEMBER OF THE BOARD

NAME [Print].....

POSITION.....

Budget Allocation

The ESFA will issue annual budget allocations around the end of February / beginning of March prior to the start of the new financial year. All budget allocations must be forwarded to the Finance Director of The Shaw Education Trust.

Each Academy will be issued with a budget allocation net of funds required to support central services [please refer to policy document “Central Funds Policy”], no later than 10th April prior to the start of each financial year.

Budget Setting Process

The budget setting process to be applied will be dependent on whether or not Shaw Education Trust board has delegated responsibility for budget setting to the Academy Council. The two processes are described below:

1. Academies with financial delegation

The budget allocation that will be issued by the Shaw Education Trust needs to be managed locally by the appointed Academy Council. The Academy Council needs to have its own scheme of delegation for its internal budget setting process.

The Academy council should forward a budget pack to the Shaw Education Trust Financial Director for approval by the stated deadline below (see timeline). The budget pack should consist of the following:

- A detailed **balanced** budget [income less expenditure]
- The academies staffing structure, displaying all employees budgeted for the financial year and their payroll costs [inclusive of employer on-costs].
- **Class groupings**, displaying number of students within each class and the staffing who will be apportioned to the class.
- A **three year budget model**, demonstrating sustainability of the staffing structure, and other costs on future years based upon anticipated pupil numbers on roll. The base assumptions of the three year model will be managed by the central finance team, for e.g. rate of inflation.
- An analysis of the **last financial years out-turn compared with the new budget allocation** [with notes as to why these figures might be different].
- Key Performance Indicators based upon the new academic year’s budget:
 - No. of students on roll by year group
 - Number of classes
 - Average class size by Key Stage

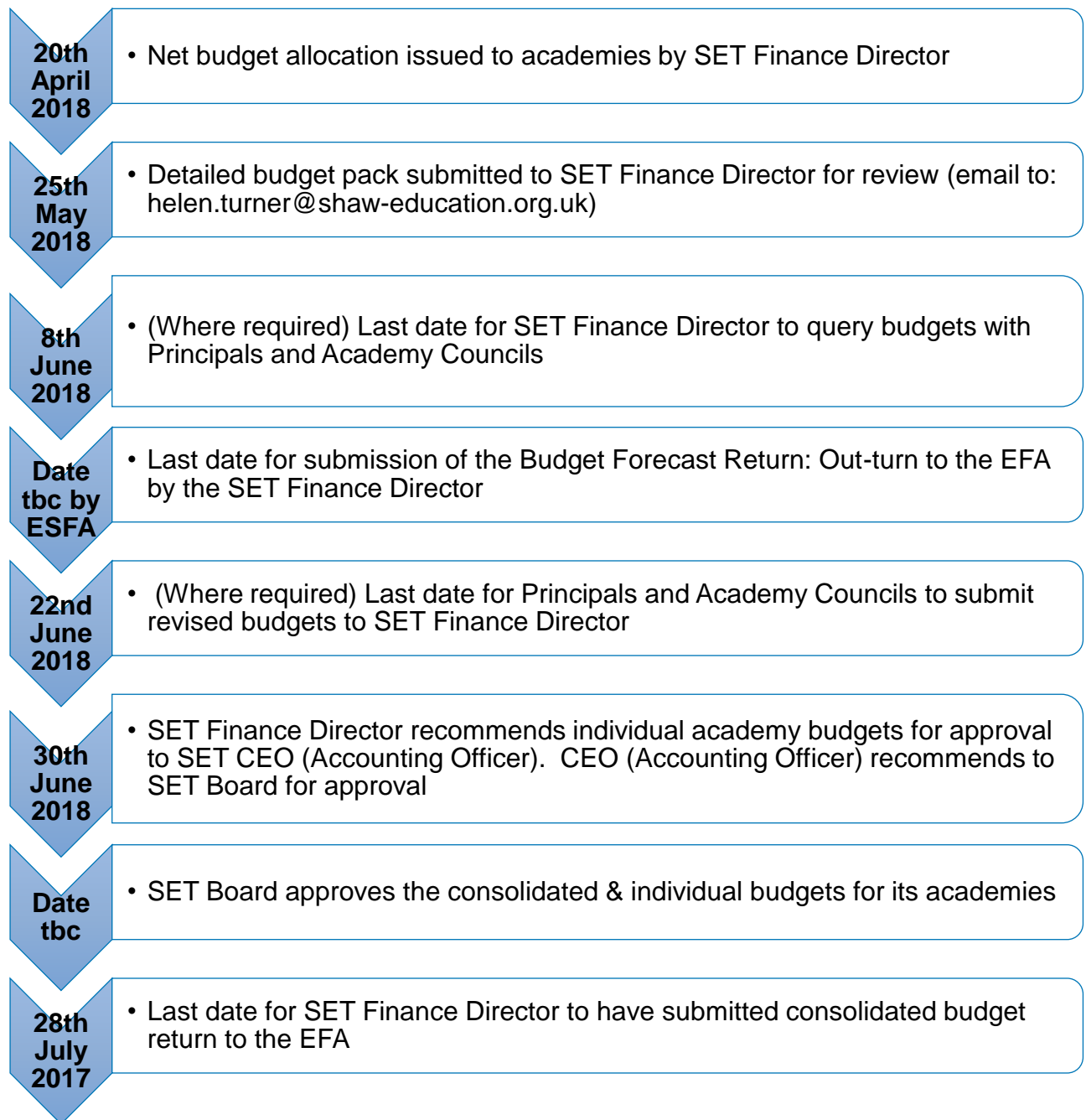
- Pupil to Teacher ratio
- Teacher contact time ratio
- Staff costs as a % of total income and expenditure
- % of total income and expenditure on leadership team
- Average cost per teacher
- Breakdown of FTE's for staff groups (Teachers, Teaching Support, Other Support)
- Analysis of income - % by funding source

2. Academies with no delegated responsibility for finance

The budget setting process and responsibility for the budget will be managed by The Shaw Education Trust. The Financial Director for the Trust will allocate the budget in collaboration with the academy Principal and the academy council.

In all cases, the Shaw Education Trust will submit a consolidated balanced budget to the ESFA by the 31st July each year, in accordance with the ESFA Financial Handbook 2017, which has been approved by the full board of trustees.

Time Line for budget submissions



The Academy should manage its own timeline for Academy Council approval within the timescales indicated by this policy document.

Deficit Budgets

Where an academy is unable to set a balanced budget it will be necessary for the Academy Council to liaise directly with the Finance Director of The Shaw Education Trust to agree an action plan to manage any budget deficits. In exceptional circumstances it may be necessary to recommend a licensed deficit repayment scheme to the CEO (Accounting Officer) and Board of Trustees.

Licensed Deficit Scheme

The licensed deficit scheme will be a loan scheme operated wholly within the Shaw Education Trust. It will be a contractual arrangement between the Shaw Education Trust and the Academy that will use central funds to support short-term operational deficits within the academy. The terms of the scheme are as follows:

- The loan will be interest free
- The agreed loan repayment will be deducted on a monthly basis over a defined number of months.
- The loan will not be agreed by the Shaw Education Trust board unless it has assurance that the Academy Council has a long-term strategic plan to balance the future finances of the academy. The Trust board may deem it necessary to remove financial delegation from the academy whilst any deficit is being managed.
- The academy can only have one licensed deficit within any accounting period
- The Shaw Education Trust has the authority to amend or withdraw the licensed deficit scheme at any time.

Budgetary Control and Reporting

Reporting to the Principal

Each Academy Council should nominate a person who will be responsible for reporting on monthly basis to the Principal within the academy.

Reports to the Principal should be generated as soon as possible after the month has closed. It would be expected that reports would be available no later than the 5th working day of the start of the new month. A Financial Management timetable will be issued to all academies on a monthly basis showing deadlines for reporting.

As a minimum, the reports to the Principal must comprise of the following:

- The management accounts budget monitoring report generated through Academy BPS as at the last period end. This report gives the actual financial

- performance of the academy vs. budget on a month to date and year basis, including forecast out-turn for the year.
- The “budget holder” report on PS Financials. This report gives the financial performance of the departments within the academy on a month to date and year to date basis, including forecast out-turn for the year.
 - Details of any income generated within the period
 - Analysis of any variances [income and expenditure] – budget vs total forecast expenditure - in excess of 1% and above £500.
 - Key Performance Indicators as at month end compared with budget:
 1. No. of students on roll
 2. Number of classes
 3. Average class size by Key Stage
 4. Pupil to Teacher ratio
 5. Teacher contact time ratio
 6. Staff costs as a % of total income and expenditure
 7. % of total income and expenditure on leadership team
 8. Average cost per teacher
 9. Breakdown of FTE’s for staff groups (Teachers, Teaching Support, Other Support)
 10. Analysis of income - % by funding source

Reporting to the Academy Council

Each Academy Council should receive termly financial reports prepared by the Principal, supported by the person nominated to report on monthly basis to the Principal within the academy.

Reports to the Academy should be generated in conjunction with the Resource Committee / Finance Committee meeting timetable.

As a minimum, the reports to the Academy Council must comprise of the following, and should be issued to Academy Council members at least 7 days in advance of the meeting scheduled:

- The management accounts budget monitoring report generated through Academy BPS as at the last period end. This report gives the actual financial performance of the academy vs. budget on a month to date and year basis, including forecast out-turn for the year.
- An update of the 3 year budget modeller taking into account financial changes to the budget [for e.g. increasing pupil numbers, staffing, other expenditure]

and external changes [for e.g. National pay increases, changes to NI and Pension contributions].

- A termly report from the Principal. This should summarise any key variances and give a brief report on how financial resources are being managed to meet the needs of the students.

Reporting to the Finance Director of the Shaw Education Trust

A copy of the all of the reports identified above report to the Principal and reports to the Academy Council] as well as a summary financial dashboard must be sent via email to the SET Finance Team on a monthly basis within the timelines indicated on the annual finance calendar.

Reporting to the Shaw Education Trust

The Finance Director of the Shaw Education Trust must provide consolidated financial reports for all of the academies within the Trust on a monthly basis to the Chief Executive Officer [C.E.O].

As a minimum, the reports to the C.E.O must comprise of the following:

- Consolidated Management Accounts as at the latest period end. Actual consolidated financial performance of the academies vs. budget on a month to date and year basis, including forecast out-turn for the year.
- Analysis of key variances [income and expenditure] – budget vs total forecast expenditure
- Consolidated KPI's for the trusts academies:
 - Number of students on roll
 - Number of classes
 - Average class size by Key Stage
 - Pupil to Teacher ratio
 - Teacher contact time ratio
 - Staff costs as a % of total income and expenditure
 - % of total income and expenditure on leadership team
 - Average cost per teacher
 - Breakdown of FTE's for staff groups (Teachers, Teaching Support, Other Support)
 - Analysis of income - % by funding source
- Consolidated Cash Flow forecast. Forecast showing cash at bank on a weekly basis up to 12 weeks into the future.
- Balance Sheet. Up to the latest period end.

Budget Virements

Academy Councils within the trust are authorised to vire monies between non-earmarked income and expenditure budget headings up to a value of £20,000 in accordance with the Scheme of Delegation. Details of all virements approved and authorised by the Academy Council will need to be formally reported to the Finance Director for the Shaw Education Trust within one month of the decision be made.

Virements in excess of £20,000 will need to be approved by the Shaw Education Trust Board.