



Financial Planning & Reporting

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Chair's signature: David Sword

5th May 2016

Introduction:

For the purposes of this policy at Cowes Enterprise College for 'Finance Director' read 'Business Director' It is the Finance Directors responsibility to prepare both medium term and short-term financial plans. Budgets are produced annually for a financial year of September to August. The budgets produced aim to deliver the agreed Financial Framework, and to build a robust financial base for future years.

The medium term financial plan is prepared as part of the development planning process. The development plan indicates how the academy's educational and other objectives are going to be achieved within the expected level of resources over the next three years.

The development plan provides the framework for the annual budget. The budget is a detailed statement of the expected resources available to the academy and the planned use of those resources for the following year.

Development Plan:

The development plan is concerned with the future aims and objectives of the academy and how they are to be achieved; that includes matching the academy's objectives and targets to the resources expected to be available. Plans should be kept relatively simple and flexible. They are the "big picture" within which more detailed plans may be integrated.

The form and content of the development plan are matters for the academy to decide but due regard should be given to the matters included within the guidance to academies and any annual guidance issued by the DfE.

Each year the Principal will propose a planning cycle and timetable to the local governing body which allows for:

- a review of past activities, aims and objectives - "did we get it right?"
- definition or redefinition of aims and objectives – "are the aims still relevant?"
- development of the plan and associated budgets – "how do we go forward?"
- implementation, monitoring and review of the plan – "who needs to do what by when to make the plan work and keep it on course" and
- feedback into the next planning cycle – "what worked successfully and how can we improve?"
- The timetable will specify the deadlines for the completion of each of the key stages described above. Lead responsibility for the completion of each of the stages will be assigned by the Principal.

The completed development plan will include detailed objectives for the coming academic year and outline objectives for the following two years. The plan should also include the estimated resource costs, both capital and revenue, associated with each objective and success criteria against which achievement can be measured.

For each objective the lead responsibility for ensuring progress is made towards the objective will be assigned to an academy manager. The responsible manager should monitor performance against the defined success criteria throughout the year and report to the senior management team on a quarterly basis. The senior management team will report to the local governing body if there is a significant divergence from the agreed plan and will recommend an appropriate course of action.

Annual Budget

The Academy Finance Director is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by Finance & General Purposes Committee and the local governing body. The budget will also require prior approval by the OAT BORA Committee.

The approved budget must be submitted to the EFA by 31 July each year and the Finance Director is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.

The annual budget will reflect the best estimate of the resources available to the academy for the forthcoming year and will detail how those resources are to be utilised. There should be a clear link between the development plan objectives and the budgeted utilisation of resources.

The budgetary planning process will incorporate the following elements:

- forecasts of the likely number of pupils to estimate the amount of DfE grant receivable;
- review of other income sources available to the academy to assess likely level of receipts;
- review of past performance against budgets to promote an understanding of the academy cost base;
- identification of potential efficiency savings and
- review of the main expenditure headings in light of the development plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes.

Setting a Balanced Budget

Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where cuts can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and expenditure are in balance. An Exceptional deficit budget may be set if it is covered by reserves from prior years. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need.

Finalising the budget

Once the different options and scenarios have been considered, a draft budget should be prepared by the Finance Director for approval by the Finance & General Purposes Committee and the local governing body. The budget should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.

The budget should be accompanied by a statement of assumptions and hierarchy of priorities so that if circumstances change, it is easier for all concerned to take remedial action.

The budget should be seen as a fixed document which should not be revised throughout the year.

Budget Profile

Monthly Management Accounts should be prepared with same principles as if we are preparing final accounts (i.e. on an accrual basis). Finance Directors should follow this principle in setting up budget profiles for the financial year.

The profile of the budget should ensure it takes account of season Pressures, Academy Holiday periods and any income profiles specified in the award of funding. All finance directors are asked to consider the potential impact of these profile elements as part of the budget setting process.

Monitoring and review

Monthly reports will be prepared by the Finance Director. The reports will detail actual income and expenditure against budget both for budget holders and at a summary level for the Principal, the Finance & General Purposes Committee, and OAT head office.

Any potential overspend against the budget must in the first instance be discussed with the Finance Director.

The monitoring process should be effective and timely in highlighting variances in the budget so that differences can be investigated and action taken where appropriate. If a budget overspend is forecast it must be authorised by the Finance & General Purposes Committee.

The Budget
Process Flow;

