
GUIDANCE NOTES TO BUDGETING

**Produced by
Financial Management – Children's Services
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COMPLETING THE SCHOOL'S ANNUAL BUDGET PLAN

The school's annual budget plan for 2016/17 and indicative budget plan for 2017/16 should be completed and returned to your School Financial Adviser, no later than 1st May 2016. Back-up documentation must be submitted with the budget in addition to the requirements outlined in the Bank Account Scheme for Schools. If the School is requesting a licensed deficit then a letter explaining the reasons behind the circumstances leading to a deficit must be sent in, along with a recovery plan showing a surplus budget by 31 March 2019. Where exceptionally a longer period has been agreed then the recovery plan must be extended to the year of recovery. Please refer also to the section on Licensed Deficits below.

In order to determine the total funds available to the school, the actual balance to be brought forward from the previous financial year is applied to the formula allocation. Where this is not available, a best estimate of the balance to be brought forward should be used for budget planning purpose. Earmarked Funds should be accounted for in the relevant heading.

Schools should consider the contingency amount they are planning for and how much of this they may be holding for community focused school facilities.

The format of the budget plan reflects the format required by Consistent Financial Reporting (CFR). Care should be taken therefore when considering which elements are included under each budget heading.

N.B. The Online CFR Guidance will soon be available on the DfE Website <http://www.education.gov.uk/schools/adminandfinance/financialmanagement/consistentreporting> for you to download. This should be referred to along with the guidance below.

All budget headings should be used except where budget provision is not applicable for the year. In this case insert a zero.

When completing your budget plan the total of all income budget headings should equate to the total of all expenditure budget headings.

All documents, guidance and templates are available on the Schools' Finance Website <http://www.centralbedfordshire.gov.uk/schools-portal/school-management/Finance/>

CONSISTENT FINANCIAL REPORTING FRAMEWORK

The framework has provided a national picture of how schools spend their budgets. A Consistent Financial Reporting (CFR) return is required for ALL schools maintained by the LA at the end of each financial year and part-year ones for schools converting to academy status during a financial year.

Schools must set their budgets based on the CFR framework, with more detailed breakdown of headings available through the school's financial management system.

BALANCE BROUGHT FORWARD

The school must reflect its balance brought forward from the previous year in the correct balance codes. This should match the closing balancing figures as submitted on the schools Earmarked Funds Form and CFR report for 2015/16. The balance brought forward codes are:

- B01 Committed Revenue Balance
- B02 Uncommitted Revenue Balance
- B03 Devolved Formula Capital Balance
- B05 Other Capital Balances
- B06 Community Focused School Revenue Balances

INCOME

1. General Budget Advice

The school must only budget for income where it can confidently be anticipated. If there is any uncertainty over income being achieved, it is best practice not to include the income within the budget plan.

The school must ensure that it keeps details of the income that it has anticipated that it will receive. This will ensure that income is treated correctly when it is received.

2. Formula Allocation

The schools formula allocation should be split out as follows:

- I01 Funds Delegated by the Local Authority (LA) – Schools Budget Share less Rates, Rent, High Needs Block and Post 16 EFA Funding. Rent and Rates has its own separate heading within I01.
- I02 Funding for 6th Form Students – EFA funding
- I03 High Needs Top-Up - further detail below

The annual rent, rates and joint use allocations equate to those included in the formula allocation. For all schools (including Uppers) rates allocation has been adjusted to take into account the actual rates in 2015/16.

Income Headings

I01 FUNDS DELEGATED BY THE LOCAL AUTHORITY (LA)

- The notional 5% remains in I01 and is not transferred to I03

Pre-16 place funding for special units, resourced provision and special schools

I02 FUNDING FOR SIXTH FORM STUDENTS

- EFA Funding
- 16-19 Bursary Fund
- Post 16 Place Funding

I03 HIGH NEEDS TOP UP FUNDING

- The Notional 5% is no longer transferred to I03, it remains in I01
- High needs top up funding
- Please ensure you make a note of the expenditure budgets your statementing monies have been allocated to

I04 FUNDING FOR MINORITY ETHNIC PUPILS

- Any funds intended to promote access and opportunity for minority ethnic pupils, in support of English as an additional language.

I05 PUPIL PREMIUM

- Includes pupil premium received directly from CBC and from other Local Authorities

I06 OTHER GOVERNMENT GRANTS

- Income from the National College for teaching and Leadership
- Any non-capital grants from government not included in the lines above
- SALIX loans (specific funding from SALIX for energy efficiency projects)
- Year 7 Catch Up Premium

I07 OTHER GRANTS AND PAYMENTS RECEIVED

- Big Lottery Fund or lottery grants
- European Union funding
- Payments received from other schools to meet supply cover costs
- Milk Subsidy
- Income from recycling

I08 INCOME FROM FACILITIES AND SERVICES

- The school must consider anticipated levels of Lettings within the school. Schools should establish charging policies through assessment of cost recovery, profit and market forces.
- The anticipated level of Sales must be assessed against the school's charging policy. Past trends may provide a good guide to the most appropriate level of sales income.
- Schools should analyse the associated costs of letting school premises dependent on local circumstances. This policy must be evaluated in order that any potential change in the level of income from lettings can be reflected in the school budget plan.
- Fluctuations in the level of Lettings will impact upon expenditure as well as income budgets.
- Included in I08 is the rent deducted from the Site Agents or Caretakers salary for rental of the house that they live in if they live on site

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- Income from meals provided to external customers, interest payments received from bank account

I09 INCOME FROM CATERING

- Income from Catering, school milk provision and catering vending machines

I10 RECEIPTS FROM SUPPLY TEACHER INSURANCE CLAIMS

- Include payments from staff absence insurance schemes to cover the cost of supply teachers.

I11 RECEIPTS FROM OTHER INSURANCE CLAIMS

All insurance receipts in respect of claims for losses incurred.

I12 INCOME FROM CONTRIBUTIONS TO VISITS ETC

- The school must only budget for Contributions for which a strong commitment exists. In accordance with CFR, Contributions must be split between income collected for school visits and other Contributions.

I13 DONATIONS AND/OR VOLUNTARY FUNDS

All income from private sources under the control of the governing body available for the purposes of the school or for the purposes of the maintenance of any part of the school premises, including:

- income provided to the schools account from foundation, diocese or trust funds during the year to support educational needs at the school
- business sponsorship
- income from fund-raising activities
- any contributions from parents (not expressly requested by the school) that are used to provide educational benefits for students

I15 PUPIL FOCUSED EXTENDED SCHOOL FUNDING AND/OR GRANTS

- EFA funds that are deemed to be for pupil-focused extended school activities
- other sources of funding to be attributed to pupil-focused extended school activities

I16 COMMUNITY FOCUSED SCHOOL FUNDING AND/OR GRANTS

- sources of funding to be attributed to community-focused activities

I17 COMMUNITY FOCUSED SCHOOL FACILITIES INCOME

The purpose of this code is to capture income from community focused school facilities and activities

I18 ADDITIONAL GRANT FOR SCHOOLS

- Include PE and Sport Grant for primary and secondary schools.

- Universal infant free schools meal

EXPENDITURE

1. General Employee Budget Advice

Make reference to past, current and expected staffing levels through evaluation of existing establishment lists and contractual obligations.

Do not calculate the current year's budget allocation by adopting an incremental approach i.e. by simply adding an element for inflation to the previous years total budget allocation.

Evaluate each member of staff individually, consideration should be given to:

- incremental dates/entitlement
- minimum and maximum points on the salary scale
- additional points for either Management Responsibility, Special Needs or TLR
- part time proportions
- on-cost implications
- the phasing of pay award dates and levels

Where new staff are likely to be recruited it is best practice to assume the maximum point on the salary scale when, at the time of budget preparation, the post holders salary scale is not known.

The pay award and increment dates are:

Teaching Staff	Pay Award	Increment Date
Heads, Deputies and Assistant Heads	September	Governors' Discretion
Teaching Staff	September	September
Unqualified Teachers	September	September
Supply Staff	September	September
Non Teaching Staff		
All NJC Staff	April	April

Note: NJC staff starting between 1 April and 30 September are due an increment from the following April as usual. NJC staff starting between 1 October and 31 March receive an increment after 6 months and then every April from the following year.

2. Calculation of Part Time Proportions

TEACHING

Teaching Staff	Number of hours worked per week	Divide by	Total school hours per week
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Unqualified Staff hours	Number of hours worked per week	Divide by	Total school hours per week
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NON TEACHING

NJC Full Year	Number of hours worked per week	Divide by	37 hours
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Nursery Nurse	Number of hours worked per week	Divide by	32.5 hours
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To calculate Term Time Only:

NJC	< 5 years	Full Year Calculation	Multiplied by	0.8669
NJC	> 5 years	Full Year Calculation	Multiplied by	0.8822
NJC	> 10 years	Full Year Calculation	Multiplied by	0.8899

This includes training days.

3. Long Term Absence Due to Sickness & Maternity Leave

Lower and Nursery Schools have their own independent pooling arrangements, which are self funding. This means the scheme relies upon the premiums collected from schools to pay for the claims made against the scheme. The scheme runs concurrently for three financial years after which time schools can again decide to opt in or out of the scheme for the following three years.

Lower and Nursery schools can make Sickness claims against their respective pooling schemes for the following categories of staff only:

- Teaching Staff
- Site Agents/Caretakers

The contribution is made on an individual basis where the level of absence exceeds a predetermined threshold within a financial year.

The level of recompense is adjusted in line with the level of pay the member of staff is receiving, i.e. if the member of staff is receiving half pay due to the length of sick leave, the recompense contribution is also halved.

Maternity and Paternity Claims can be made for all categories of staff. The maternity cost of the member of staff is reimbursed to the school. Schools will be expected to meet in full the cost of the cover.

The LA administers the scheme but it is managed by an elected panel from each participating sector.

Details of Terms and Conditions and claim forms can be obtained from the Learning Portal.

4. Official Duties

Regardless of the school sector, the school will receive recompense to cover absence by teachers for the following circumstances:

- Public Service
- Government/Local Authority Duties
- Trade Union/Professional Association representation (including Health and Safety)
- Attendance at court (Magistrates Duties)
- Contribution to broadcasting
- Preparation and marking of examination papers and other duties of a similar nature.

The recompense rates apply to teachers only and are available to all sectors. The recompense rates are to be confirmed by HR .

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5. Calculation of the Staffing Budgets

The DfE have published the School Teachers pay and conditions document 2015 which includes salary scales for Teachers salaries from September 2015. For more information please follow the link;

<http://www.teachers.org.uk/files/school-teachers-pay-2015-16-pay-scale-points-national-joint-advice.pdf>

Please apply an appropriate rate of inflation to calculate 15/16 and 16/17 salaries using the inflation factors on the last page of this document.

The Local Government Pension Scheme (LGPS) contribution rate for 2015/16 and 2016/17 is 25.4%. All schools should make sure that the payroll providers have been informed about the new contribution rate. More information can be accessed on Bedford Borough LGPS on the link below:

http://www.bedspensionfund.org/active_members.aspx

6. Expenditure Headings

De-delegated services must be budgeted for under the appropriate CFR Expenditure heading. This will be advised separately by the Local Authority.

E01 TEACHING STAFF

Includes:

- teachers employed directly by the school including supernumerary / peripatetic teachers on short-term contracts
- relates to all contracted full-time and part time teachers paid within the scope of the Education Act 2002

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- expenditure on salaries and wages consisting of gross pay including allowances, maternity pay and the employer's contributions to national insurance and superannuation
 - threshold payments and other payments relating to teacher pay reforms
 - net off any teachers maternity pay refunds here

E02 SUPPLY TEACHING STAFF

- Supply teachers employed through an agency should be provided for within the Agency Supply Staff heading under code E26. This is because the government needs to be able to identify directly employed public sector staff in its calculation of Gross Domestic Product.
- The school must make budgetary provision for other types of supply cover within the appropriate budget heading.

E03 EDUCATION SUPPORT STAFF

Expenditure on salaries and wages of permanent support staff employed directly by the school in support of students' learning, consisting of gross pay including allowances, maternity pay and the employer's contributions to national insurance and superannuation

E04 PREMISES STAFF

- If premises staff are being paid as part of a Service Contract this should be charged to E14.

E05 ADMINISTRATIVE AND CLERICAL STAFF

Expenditure on salaries and wages of administrative and clerical staff employed directly by the school consisting of gross pay including allowances, maternity pay and the employer's contributions to national insurance and superannuation

E06 CATERING STAFF

Expenditure on salaries and wages of catering staff employed directly by the school consisting of gross pay including allowances, maternity pay and the employer's contributions to national insurance and superannuation

E07 COST OF OTHER STAFF

Expenditure on salaries and wages of other staff employed directly by the school consisting of gross pay including bonus and allowances, maternity pay and the employer's contributions to national insurance and superannuation

E08 INDIRECT EMPLOYEE EXPENSES

- Recruitment, Employees Travelling and Subsistence, Duty Meals
- Consideration must be given to local circumstances, for example the level of staff turnover will impact on advertising costs and interview expenses. CRB clearance checks should be accounted for in E08.

E09 STAFF DEVELOPMENT AND TRAINING

Includes:

- development and training costs for all staff (directly and not directly employed) at the school
- cost of all in-service training courses and other development opportunities
- cost of equipment and resources to provide in service training

E10 SUPPLY TEACHER INSURANCE

- This can be important to help manage risk at your school. Premiums may vary according to the claims history or as schools choose the level of excess they wish to accept.
- Where policies cover wider areas (i.e. for other staff and contract supply staff) costs should be coded to E11.

E11 STAFF RELATED INSURANCE

- Please ensure you have allocated staff liability insurance here.

E12 BUILDING MAINTENANCE AND IMPROVEMENT

- It is necessary for the school to anticipate, and be aware of, appropriate scales of charges relating to contract arrangement fees. Consideration should be given to the distinct separation of on-going maintenance requirements against identification of major building/repair works
- A change in the school's circumstances, for example an increase in lettings, will have an effect on the general wear and tear of the premises and, therefore, this must be reflected in the schools level of anticipated expenditure.
- In the event that buildings and grounds maintenance and improvement are performed under one contract, please ask your supplier to identify the costs separately.

E13 GROUNDS MAINTENANCE AND IMPROVEMENT

- maintenance and improvement on gardens and grounds, including car parking, play areas, playground equipment, sports fields and pitches on the school campus
- related professional and technical services, including labour costs where supplied as part of the contract /service

E14 CLEANING AND CARETAKING

E15 WATER AND SEWERAGE

E16 ENERGY

- The school is recommended to assess general trends of energy expenditure over previous financial years.

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- The school should consider any change in circumstances at the school which may affect the price and levels of consumption within the school.
 - Examples of which are follows:
 - The introduction of energy saving measures.
 - An increase or reduction in school and non-school use of premises.
 - A reduction or increase in permanent or temporary accommodation.
 - Where there is a change of contract and/or supplier.
 - Where shared site metering or joint user agreements are in place, any similar change in circumstance of the counterpart must be assessed.
 - Repayment of SALIX loans (this is, repayments for funding from SALIX for energy efficient projects) should be coded to E16.

E17 RATES

- The rates budget allocations must equate to the sum provided within the formula allocation unless schools have had an adjusted rates bill. The budget in E17 should be changed to reflect the adjustment but there will be no adjustment to your rates income budget in I01. Any adjustments to rates will be reflected in the income in **the following year**.

E18 OTHER OCCUPATION COSTS

E19 LEARNING RESOURCES

E20 ICT LEARNING RESOURCES

E21 EXAMINATION FEES

E22 ADMINISTRATIVE SUPPLIES

E23 OTHER INSURANCE PREMIUMS

E24 SPECIAL FACILITIES

E25 CATERING SUPPLIES

E26 AGENCY SUPPLY TEACHING STAFF

E27 BOUGHT IN PROFESSIONAL SERVICES - CURRICULUM

E28 BOUGHT IN PROFESSIONAL SERVICES – OTHER

E29 LOAN INTEREST

- All schools in receipt of a loan or a cash advance will be charged interest.

E30 DIRECT REVENUE FINANCING (REVENUE CONTRIBUTIONS TO CAPITAL)

E31 COMMUNITY FOCUSED SCHOOL STAFF

Expenditure on salaries and wages of staff employed directly by the school for community purposes, consisting of gross pay including allowances, maternity pay and the employer's contributions to national insurance and superannuation

Includes:

- cost of all staff employed directly by the school for community-focused activities
- adult education tutors, where the school manages an adult education programme

E32 COMMUNITY FOCUSED SCHOOL COSTS

Includes:

- all running costs associated with a community-focused school activity or facility
- recruitment costs, materials etc.

7. General Budgeting Advice for Supplies and Services

It is recommended that schools examine historical expenditure trends and patterns. Levels of expenditure will be influenced by the School Improvement Plan. To determine budget requirement for the year it will be necessary to consider current stock levels within the school.

Local circumstances will influence the level of expenditure e.g. pupil number changes and any changes in lettings of school premises.

Budgets must be compiled net of VAT.

Consideration should also be given to the method of budgeting for supplies and services within the school. If your school allows budget holders to carry forward any surpluses or deficits then these should be taken into account where budget constraints allow.

It is recommended that the school evaluates and quantifies routine expenditure within this category and separates this from major one-off items of expenditure.

Expenditure budgets must not be netted off by the corresponding amount of income anticipated. The income is to be shown separately in the appropriate income heading e.g payments for trips should be budgeted for in E19 and any income collected for the trips should be coded to I12.

8. Community Focused Budgets

Schools can spend their delegated budget on community facilities and may receive other sources of funding to be attributed to community focused

activities. A school would only incur costs in E31 if they directly employ staff to facilitate a community focused activity.

9. Contingency

For a variety of reasons, the school will withhold from committing sums of money to budget headings at the start of the financial year. It is important that the school is aware of the nature and purpose of its contingency budget. This will influence when the contingency sum can be utilised or reduced during the year.

The contingency should represent any anticipated carry forward for the forthcoming year end PLUS the element set aside for unforeseen circumstances arising during the year which is recommended at 2% of the formula budget.

From April 2011 Central Bedfordshire does not operate a balance control mechanism.

DO NOT POST ACTUALS TO THE CONTINGENCY ACCOUNT CODE.

CAPITAL

The minimum total project cost for a Formula Capital project is £2,000 for primary, special and secondary schools. Works costing below this limit are defined as revenue items. Formula Capital **CANNOT** be spent on revenue or maintenance items.

1. Capital Income Headings

CI01 CAPITAL INCOME

- Includes Formula Capital and Other Capital Income such as proceeds from sale of fixed assets and Loans from the LA to fund specific capital schemes.
- Devolved Formula Capital (DFC) has been delegated to schools. Schools must account for DFC Income separately in this heading (GL code 4190170) to any other Capital Income. Expenditure relating to Formula Capital must be accounted for in CE02 New Construction, Conversion, and Renovation – Formula Capital (6180200) or CE04 Information and Communication Technology – Formula Capital (6180215).

CI03 VOLUNTARY OR PRIVATE INCOME

Includes voluntary or private income including donations dedicated for use as capital funds

CI04 DIRECT REVENUE FINANCING (Must equal budget entry in E30)

- All Formula Capital income must be spent before schools are able to contribute revenue budget to a capital project.

2. Capital Expenditure Headings

CE01 ACQUISITION OF LAND AND EXISTING BUILDINGS

CE02 NEW CONSTRUCTION CONVERSION AND RENOVATION

- Capital projects funded by DFC must be coded to GL code 6180200.
- Capital projects funded by other Capital income must be coded to GL code 6180220. If a project is part funded by Formula Capital and part by other capital income, the invoice/project must be split between the codes and the Formula Capital element coded to 6180200 only.

CE03 VEHICLES, PLANT, EQUIPMENT AND MACHINERY

- Leasing costs are excluded from CE03, all operating lease costs are revenue. Schools are not allowed to enter finance leases.

CE04 INFORMATION AND COMMUNICATIONS TECHNOLOGY

- ICT projects funded by DFC must be coded to 6180215.
- Costs of purchasing computer hardware and software where these are to be capitalised should be including in this heading.
- Excluded from this heading are costs of training for staff in the use of ICT systems, and leasing costs.

3. Capital Contingency

For a variety of reasons, the school will withhold from committing sums of money to budget headings at the start of the financial year. It is important that the school is aware of the nature and purpose of its contingency budget. This will influence when the contingency sum can be utilised or reduced during the year. Projects not planned for the current financial year must be accounted for in the Capital Contingency line.

DO NOT POST ACTUALS TO THE CONTINGENCY ACCOUNT CODE.

LICENSED DEFICITS

Where the school has been formally authorised to overspend its available funds by an agreed sum with the LA, it must reflect this sum against the Licensed Deficit Income heading. By including the licensed deficit amount as “anticipated income” you are in effect able to reflect the correct budgets against expenditure headings whilst still balancing your overall plan to your formula allocation plus or minus your previous years carry forward.

Schools may require a loan facility in order to prevent their bank accounts going overdrawn, interest will be charged on any advances, please refer to the Bank Account Scheme for Schools for more details

Unless written authorisation has been received from the LA, the school will not be permitted to overspend its available funds for the financial year. Schools should not assume that a deficit will automatically be approved and therefore cannot include any deficit in their budget plans until that agreement

has been received.

If you think your school is in a position where it is likely to need a licensed deficit/loan please contact, in the first instance, your Schools Financial Advisor.

Please be advised Licensed Deficits are for exceptional circumstances and it should not be assumed that they will be automatically approved. All applications must be accompanied by a detailed recovery plan which shows recovery in a maximum of **three years**.

Inflation Factors 2016/17 and 2017/18

The following inflation factors have been provided by HR and the Financial Strategy team of Central Bedfordshire as a guide.

EMPLOYEES:

Teaching Staff

The Government has commenced consultation on a pay award for teachers from September 2015. The consultation document refers to a 1% increase although the detail of how any award will be implemented has yet to be determined. In addition, schools will need to consider the cost of differentiated pay progression for teachers from the same date. It is advised that the increase to remain at the same level as in 2014 at rate of 1%.

Teachers Pensions

The employer contribution for teachers' pensions will increase from 14.1% to 16.4% with effect from 1st September 2015. In addition, the Government has determined that the cost of administering the Scheme should be transferred to employers and, accordingly, with effect from September 2015 the cost of 0.08% will be added to the employer contribution making the total 16.48%.

Support Staff

Agreement has now been reached on the rates of pay applicable from 1st January 2015 to 31 March 2016 for all support staff engaged on NJC Conditions of Service. The increase is as follows:

Scale Point	Increase from 01/01/2015 (%)
5	8.56
6	7.93
7	6.19
8	4.13
9	2.55
10	2.32
11 and above	2.20

State Pension Reform

The Government is changing the state pension with effect from 1st April 2016. One consequence of the reform is that the Teachers' Pension Scheme and the Local Government Pension Scheme will no longer be "contracted out". Accordingly, there will be rise in employee contributions for National Insurance (up 1.4%) and employer National Insurance contributions (up 3.4%). National Insurance is not paid on the totality of an employee's earnings but, never the less, the CBC estimates that this reform alone will impact the average school budget by increasing the costs by 2.5%.

Following discussions to negotiate and seek agreement with the Trade Unions for the 2016/17 NJC Pay Award the LGA have made what they consider to be a fair and final pay offer to the Unions for consideration. The proposed two-year agreement has a headline increase of one per cent for those on/above Spinal Column Point 18, with a higher % award for those on/below Spinal Column Point 17 to take account of the new National Living Wage which is effective from 1st April 2016.

A table providing a % breakdown of the pay offer on each scale point along with a copy of the LGA press release can be found here, in the Salary Scales section:

<http://www.centralbedfordshire.gov.uk/schools-portal/school-management/Finance/schools-budget.aspx>

OTHER EXPENDITURE:

Repairs and Maintenance of Buildings	0%	0%
Repairs and Maintenance of Grounds	0%	0%
Energy & Water - Fuel Oil	Inflation factors specific to individual contracts	
Electricity		
Gas		
Water		
Cleaning and Domestic Supplies	0%	0%
Transport Related Supplies	Specific to contract 0%	0%
Printing, Stationery etc	0%	0%
Examination Fees - Specific to examination bodies		
Communications	0%	0%
Contracts	2%	2%

If you have a contract with an inflation factor built in that is running at a different level, please follow and ignore the factor included above. (This may apply to utility companies).