



Education
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Schools financial value standard (SFVS)

Additional resources

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Contents

Introduction	3
Section 1: Skills analysis matrix of financial management responsibilities for governors	4
How to use the matrix	4
Governors financial management skills rating system	5
Skills matrix for governors with financial management responsibilities	6
Summary of governing body's financial management roles	11
Summary of headteachers' financial management roles	11
Activities that may be delegated to the headteacher by the governing body	12
Section 2: Skills analysis matrix of financial management skills for school staff	15
Introduction	15
How to use the matrix	15
School staff financial management skills rating system	16
Skills matrix for school staff with financial management responsibilities	17
Section 3: Setting a well-informed and balanced budget	23
Timing	23
Information to use in budget setting	23
Process	24
Presentation of the budget and the expected cash flows	24

Introduction

This guidance document has been produced by the Education Funding Agency (EFA). It is intended to support the statutory requirement for local authority maintained schools to complete their Schools Financial Value Standard (SFVS) returns.

It is an additional resource for maintained schools to help them review the roles of governors, as well as staff in schools with financial management responsibility, and to analyse the spread of relevant skills and competencies. Other schools are welcome to use this guidance and any of the other material associated with the standard, if they would find it useful.

The guidance in section 1 includes a matrix which summarises the financial management skills that should be available within governing bodies in maintained schools or management committees in pupil referral units (PRUs). It is a tool to help schools to analyse the results to ensure the skills, knowledge and attitudes are spread across governors in the most appropriate way. It has been designed for use by schools at different levels:

- by individuals who wish to identify their personal training and development needs
- by governing bodies, or their finance committees where applicable, to ascertain their collective financial management skills

Section 2 includes is a matrix which summarises the financial management skills that best practice determines should be held by staff with financial management responsibility within the school. This skills matrix can be used:

- by individuals who wish to identify their personal training and development needs
- by headteachers and senior leadership teams (SLTs) to find out what financial management competencies are available to the school
- by schools as a key development tool for both individuals and the SLT as a whole

Additional guidance is provided in section 3 about setting a well-informed and balanced budget.

Section 1: Skills analysis matrix of financial management responsibilities for governors

This matrix summarises the financial management skills that best practice determines should be available within governing bodies in maintained schools or management committees in pupil referral units (PRUs). It has been designed for use by schools at different levels:

- by individuals who wish to identify their personal training and development needs
- by governing bodies, or their finance committees where applicable, to ascertain their collective financial management skills

Experience shows that for most schools only small numbers of governors will initially be at levels 1 and 2.

The purpose of the matrix is to determine the relative financial management skills available within the governing body. This needs to be related to the way that the governing body deals with financial management issues and so not all governors will need the highest levels of financial management competence. Typically, for a school:

- with a finance committee – the committee members and the chair of the governing body would be the most appropriate governors to complete the matrix
- without a finance committee – the chair of governors, any governor specifically tasked with finance issues and those governors who possess financial management skills, should complete the matrix

How to use the matrix

The grid should be tailored to the individual school's governing body financial management requirements to identify who within the governing body should have key financial skills and fill in their details at the top of the grid. The key financial management competency is in bold (e.g. the first is 'provides strategic leadership'). Examples of the characteristics that demonstrate this competency are then provided.

For each governor identified use the ratings (which are explained below) to identify the level at which the person has the relevant competencies, referring to the key indicators and typical examples.

On completion, analyse the results to ensure the skills, knowledge and attitudes are spread across governors in the most appropriate way, i.e. there is no over or under concentration of competencies with one specific governor.

A key point is that not all governors/management committee need all these skills, but collectively the governing body/management committee (and finance committee, if it exists) will ideally have these skills between them.

Governors financial management skills rating system

More information about the knowledge, skills and behaviours needed for effective governance can be found in the [Competency Framework for Governors](#)

1: Highly competent	2: Competent	3: Developing	4: Not yet developed
<p>Where relevant to the competency or example, the following apply to the individual concerned:</p> <ul style="list-style-type: none"> • this is an area in which you have significant practical experience • this is something that you undertake on a regular basis • this is a personal characteristic or style that you demonstrate all of the time • there is a regular programme of activities to maintain technical competence 	<p>Where relevant to the competency or example, the following apply to the individual concerned:</p> <ul style="list-style-type: none"> • this is an area in which you have some practical experience • this is something that you undertake on an infrequent basis • this is a personal characteristic or style that you demonstrate most of the time • there is a regular programme of activities to maintain technical competence 	<p>Where relevant to the competency or example, the following apply to the individual concerned:</p> <ul style="list-style-type: none"> • this is an area in which you have little practical experience • this is something that you rarely undertake • this is a personal characteristic or style that you demonstrate some of the time • there is a programme of activities to develop the technical competence in this area 	<p>Where relevant to the competency or example, the following apply to the individual concerned:</p> <ul style="list-style-type: none"> • this is an area in which you have no practical experience • this is something that you have never undertaken • this is a personal characteristic or style that you rarely demonstrate • there is no programme of activities to develop the technical competence in this area

Skills matrix for governors with financial management responsibilities

1 – Provides strategic leadership	Chair of governing body	Chair of finance committee	Governor with finance role
<p>Leads the development of strategic plans:</p> <ul style="list-style-type: none"> • has strategic knowledge and understanding of school priorities, aims and objectives • able to articulate strategic priorities, financial implications and objectives clearly • understands the importance of setting and agreeing a viable financial strategy and plan which ensures sustainability and solvency • understands the school’s process for resource allocation and the importance of focusing allocations on impact and outcome • delegates tasks to headteacher and promotes team working between governors and all staff 			
<p>Able to identify viable options most likely to achieve the school’s goals and objectives:</p> <ul style="list-style-type: none"> • will take difficult but necessary decisions • able to analyse information provided by staff in a useful way • is rigorous in questioning to understand whether enough is being done to drive financial efficiency and align budgets to priorities • is open to new ideas, consults and willing to work in partnership with stakeholders 			

<ul style="list-style-type: none"> • knows how to review the results of techniques for assessing significant school matters • uses detailed financial knowledge and experience (appropriate for the scale of the organisation) to provide advice and guidance to the board and the school 			
<p>Has a clear understanding of best financial management practices and school performance:</p> <ul style="list-style-type: none"> • has knowledge of the current financial health and efficiency of the school and how this compares with similar school's locally and nationally • assimilates the financial implications of the school's priorities and use this knowledge to make decisions about allocating current and future funding • understands the school's internal control processes and how these are used to monitor and ensure propriety to secure value for money • co-operates with external inspectors/auditors and reviews action on their findings 			

2 – Ensures accountability	Chair of governing body	Chair of finance committee	Governor with finance role
<p>Understands the school’s statutory financial management requirements:</p> <ul style="list-style-type: none"> • able to hold school leaders to account for financial and business management, as much as educational outcomes • understands the legal financial framework in which the school needs to operate • has knowledge of the school’s funding arrangements, funding streams and its mechanisms for ensuring financial accountability • has knowledge of information that can be requested by local authorities (for maintained schools) and the DfE • understands how the school receives funding through the pupil premium and other grants e.g. primary sport funding, how these are spent and how spending has an impact on pupil outcomes 			

<p>Understands budget setting and budget monitoring:</p> <ul style="list-style-type: none"> • understanding the principles of finance and budget management and how these are used on the school • has numeric and analytical skills • able to challenge and ensure the integrity of financial information and to establish robust financial controls • able to interpret financial data and ask informed questions about income, expenditure and resource allocation and alignment with the strategic plan priorities • has confidence in the arrangements for provision of accurately and timely financial information, and the financial systems used to generate such information • able to interpret budget monitoring information and communicate this to interested parties • able to participate or lead the school's self-evaluation of activities relating to financial performance, efficiency and control • understands that appropriate resource allocation can affect pupil outcomes 			
<p>Understands the importance of communicating the school's performance to stakeholders:</p> <ul style="list-style-type: none"> • knows the procedural requirements and timescales and checks they are followed • understands the monitoring returns for the DfE and local authority (for maintained schools) • is open and diplomatic when communicating with stakeholders, e.g. parents 			

3 – Acts as a critical friend	Chair of governing body	Chair of finance committee	Governor with finance role
<p>Has a commitment to the school and the work of the governing body:</p> <ul style="list-style-type: none"> • declares personal or pecuniary interests and avoids using his/her position for personal gain • participates in the work of the governing body by preparing for meetings, attending, contributing at meetings and taking agreed actions • improves financial management knowledge through training, discussions with staff and reading relevant papers • able to identify when specialist skills and experience in audit, fraud or human resources are required to undertake specific tasks or more regularly to lead governance committees • helps new governors to understand their financial management role and make a full contribution 			
<p>Presents information and views clearly and influentially to others:</p> <ul style="list-style-type: none"> • uses analytical skills to challenge management constructively and ask probing questions • able to influence others and build consensus using the power of argument and clear presentation of the case • seeks to resolve misunderstanding and conflict by giving and receiving constructive feedback 			

Summary of governing body's financial management roles

The governing body, and management committee in pupil referral units (PRUs), has a strategic role in the financial management in schools and its key responsibilities include:

- setting financial priorities through the:
 - school improvement plan
 - 3 year financial plan
 - the annual budget
- deciding on how the school's delegated budget should be spent, in accordance with their school improvement plan and the statutory curriculum requirements as laid down by Government
- approving and monitoring the annual budget
- ensuring the budget is managed effectively
- ensuring the school meets all its statutory obligations, and through the headteacher complies with its LA's Financial Regulations and Standing Orders
- determining virement and expenditure thresholds
- evaluating the effectiveness of spending decisions

Although the governing body has a statutory responsibility for the oversight of most areas of school life, including financial management, a great deal of responsibility is often delegated to the headteacher and, to a lesser extent, other budget holders or a finance committee.

Summary of headteachers' financial management roles

The headteacher has an important role in the financial management of the school and their key responsibilities include:

- the internal organisation, management and control of the school
- advising on, and implementing, the governing body's strategic financial framework
- giving the governing body enough information to ensure that they are confident that delegated responsibilities and the headteacher's responsibilities have been met
- being, along with the other staff, accountable to the governing body for the school's financial performance; and
- drawing up and submitting to the governing body an annual budget plan for the school's budget and voluntary funds, and any proposals for revisions to the budget plan as required by the LA scheme for financing schools for maintained schools.

Activities that may be delegated to the headteacher by the governing body

The headteacher is accountable to the governing body, which can delegate much of its financial responsibility to the headteacher. Typically the headteacher has delegated responsibility for:

- leading and managing the creation of a strategic plan which is underpinned by sound resource planning and identifies priorities and targets for ensuring that pupils achieve high standards and make progress, increasing teachers' effectiveness and securing school improvement
- ensuring that the relevant LA Financial Regulations / Standing Orders or DfE requirements are implemented
- establishing sound internal financial controls which are managed on a daily basis by the headteacher, finance officer, school business manager (or equivalent)
- ensuring the effective implementation of financial systems and procedures (even in the absence of key staff)
- checking that the funds delegated by the local authority are in line with pupil numbers
- compiling draft budgets to the governing body and its appropriate committees
- producing regular reconciled budget/financial reports to the governing body, LA and DfE as appropriate

Delegating work to committees

A governing body can fulfil some of its responsibilities through a series of committees. The committee most likely to help fulfil its financial management responsibilities is the finance (or resources) committee. The finance committee is non-statutory, and the governing body is able to determine its remit and delegate responsibility to it for 'the approval of the first formal budget plan of the financial year'.

The following tasks should also be carried out by the finance (or resource) committee:

- drawing up the budget for approval by the governing body
- exploring different expenditure options and assessing expenditure bids
- forecasting likely future pupil rolls and income levels
- monitoring budgeted income and expenditure
- monitoring and adjusting in-year expenditure levels
- ensuring accounts are properly finalised at year end/reviewing outturn
- evaluating the effectiveness of financial decisions
- administering the school's voluntary/private fund

The governing body can delegate functions relating to the setting and approval of budgets to the finance committee. The committee must report to the governing body in respect of any action taken or decision made, at regular intervals in the financial year.

Examples of more specific responsibilities of the governing body and the headteacher

These have been produced with the help of Wolsey Infant School in Croydon. They are an example of one school's arrangements for other schools to consider if they find them helpful. There is no requirement for all schools to follow this definition of specific responsibilities.

Governing body

- ensuring that there is a handbook containing information and a description of financial systems and procedures for all staff with financial management responsibility (internal controls handbook)
- establishing formal procedures and a timetable for budget planning
- ensuring that only a balanced sound budget is approved, with a forward projection for at least 3 years
- ensuring that financial records are maintained that can provide auditors and inspectors with explanations they consider necessary (audit trail)
- responding promptly to recommendations made by auditors or inspectors
- monitoring the budget and implementing virements when appropriate
- ensuring that the school obtains best value for money when purchasing goods and services
- establishing a charging policy for the supply of goods and services
- establishing and maintaining a register of business interests of governors and staff who influence financial decisions. This should be open to examination by governors, staff, parents and the LA
- ensuring that financial duties of staff are clearly described to avoid potential conflicts (separation of duties)
- ensuring in conjunction with the headteacher that salary payments are: only made to school employees; made in accordance with appropriate conditions of employment; and only made for services provided to the school. Also that, appropriate deductions are made (Tax and NI) and payroll changes are accurately recorded and promptly processed (guard against fraud)
- deciding, after careful consideration, whether or not to insure risks not covered by the LA (school insurance)
- authorising the disposal or write off of stock (costed asset register)

Headteacher

- meet regularly with the LA budget adviser to discuss the budget profile and to make any necessary adjustments (LA Scheme for Financing Schools)
- obtain governing body approval for any budget virements above his/her delegated authority level (LA Scheme for Financing Schools)

- consider and respond promptly to recommendations in school audit/inspection reports, and advise governors of results and any remedial action to be implemented (Audit/Ofsted inspection reports)
- ensure the maintenance of accurate and current inventories of all attractive and portable items (assets register)
- ensure the adequacy of the schools insurance arrangements as part of the annual financial review (school insurance)
- implement school pay policy and appointment procedures (staff pay conditions and recruitment)
- plan for effective monitoring, evaluating and reviewing of the plan to secure progress and school improvement (school improvement plan linked to budget expenditure)
- think creatively and imaginatively to anticipate and solve problems and identify opportunities (skills and talent management)
- ensure that resourcing and staffing are dedicated to ensuring the highest standards of achievement for all pupils (skills audit and talent management)
- set appropriate priorities for expenditure, allocate funds and ensure effective administrative control (school plan linked to budget expenditure)
- manage and organise accommodation efficiently and effectively to ensure it meets the needs of the pupils, curriculum and health and safety regulations (appropriate school assets' plan)
- manage, monitor and review the range, quality, quantity and usage of all available resources in order to improve pupils' achievements, ensure efficiency and secure value for money

Section 2: Skills analysis matrix of financial management skills for school staff

Introduction

This matrix summarises the financial management skills that best practice determines should be held by staff with financial management responsibility within the school. This skills matrix can be used:

- by individuals who wish to identify their personal training and development needs
- by headteachers and senior leadership teams (SLTs) to find out what financial management competencies are available to the school
- by schools as a key development tool for both individuals and the SLT as a whole

How to use the matrix

The key financial management competency is in bold (e.g. the first is 'Leads and manages the development of strategic financial plans'). Examples of the characteristics that demonstrate this competency are then provided.

Examples of who to include when using this tool might be:

- a large school may include the headteacher, deputy head, SLT, and other main budget holders, school business manager, finance assistants and finance administrator
- a small school may include the headteacher and finance administrator.

As schools vary so much in size and are organised in different ways, it is impossible to give precise guidance on who should be included. Main budget holders are likely to include subject leaders or heads of year, but not individual teachers with small budgets for teaching materials or consumables but no wider finance responsibilities. In a small school, teachers will be responsible to someone more senior for the use of that budget, and that more senior person is likely to be part of this review.

Typically, even for the largest school, it would be unusual to include more than 12 people in a review of this kind. For a small primary school, a review is unlikely to include more than 4 people.

1. Identify who should have key financial expertise and fill in their details at the top of the grid. This allows the grid to be tailored to the individual school's governing body financial management requirements.
2. For each staff member identified, use the ratings below to show the level at which the person has the relevant expertise, by making reference to the key indicators and the typical examples.

3. On completion, analyse the results to ensure the skills, knowledge and attitudes are spread across the staff in the most appropriate way, i.e. there is no over or under concentration of competencies with one specific staff member.

School staff financial management skills rating system

1: Highly competent	2: Competent	3: Developing	4: Not yet developed
<p>Where relevant to the competency or example, the following apply to the individual concerned:</p> <ul style="list-style-type: none"> • this is an area in which you have significant practical experience • this is something that you undertake on a regular basis • this is a personal characteristic or style that you demonstrate all of the time • there is a regular programme of activities to maintain technical competence 	<p>Where relevant to the competency or example, the following apply to the individual concerned:</p> <ul style="list-style-type: none"> • this is an area in which you have some practical experience • this is something that you undertake on an infrequent basis • this is a personal characteristic or style that you demonstrate most of the time • there is a regular programme of activities to maintain technical competence 	<p>Where relevant to the competency or example, the following apply to the individual concerned:</p> <ul style="list-style-type: none"> • this is an area in which you have little practical experience • this is something that you rarely undertake • this is a personal characteristic or style that you demonstrate some of the time • there is a programme of activities to develop the technical competence in this area 	<p>Where relevant to the competency or example, the following apply to the individual concerned:</p> <ul style="list-style-type: none"> • this is an area in which you have no practical experience • this is something that you have never undertaken • this is a personal characteristic or style that you rarely demonstrate • there is no programme of activities to develop the technical competence in this area

A key point is that not all staff need all of these skills, but collectively relevant staff should have these competencies between them. Individuals need only those that are relevant to their area of responsibility.

Skills matrix for school staff with financial management responsibilities

1 – Provides strategic leadership	Headteacher / deputy head / senior leadership team / main budget holders / or equivalent	School business manager / finance assistant / finance officer / or equivalent
<p>1. Leads and manages the development of strategic financial plans:</p> <ul style="list-style-type: none"> • takes a long-term view of financial management issues • has knowledge of, and advises governors on the trends in education and their financial implications • works with governors to develop the school priorities, aims and objectives • knows the role/level that staff should operate • able to translate broad aims and priorities into SMART (specific, measurable, achievable, realistic, time bound) objectives • delegates tasks to best placed person providing them with necessary direction, guidance and authority to undertake the task(s) • promotes team working between staff and with governors 		
<p>2. Able to research and analyse strategic choices and recommends those most likely to achieve the school's goals and objectives:</p>		

<ul style="list-style-type: none"> • able to extract and analyse information in a useful way • presents information clearly to others, including governors • has an understanding of financial risks and the potential impact • uses own experience, networking and lateral thinking to identify different options • assesses the financial implications of strategic choices facing the school • knows how to focus those matters which are most significant (e.g. the materiality principle) • is open to new ideas, consults/listens to stakeholders • willing to work in partnership with outside bodies 		
<p>3. Has a clear understanding of good financial management practices and the school's performance compared to it:</p> <ul style="list-style-type: none"> • has knowledge of current financial performance of the school • regularly participates in networking activities and is outward-looking rather than internally-focused • has knowledge and understanding of internal control processes • understands and participates in the school's self-evaluation activities of financial performance/controls • reviews and undertakes benchmarking activities 		

<ul style="list-style-type: none"> • co-operates with external inspectors/auditors etc. and initiates appropriate action in response to their findings 		
<p>4. Understands statutory financial requirements for the school, including local authority requirements for maintained schools:</p> <ul style="list-style-type: none"> • understands the financial framework in which the school operates • has knowledge of the school's funding arrangements and funding streams • has knowledge of information that is required by the local authority and DfE • ensures that information is provided in line with timescales and deadlines 		
<p>5. Understands and can undertake budget setting activities:</p> <ul style="list-style-type: none"> • understands finance and budgeting • has numeric skills • understands that resource allocation can affect outcomes and focuses on this, rather than just looking at inputs • pursues income generation opportunities when required • understands links between activities of the school and their associated costs 		
<p>6. Understands and can undertake budget monitoring activities:</p>		

<ul style="list-style-type: none"> • has knowledge of the financial information that should be provided for review regularly • able to interpret budget monitoring information in a useful way • communicates budget monitoring information to interested parties and the governing body 		
<p>7. Understands the importance of communicating the school's performance to stakeholders:</p> <ul style="list-style-type: none"> • ascertains and provides information to meet governors needs • anticipates stakeholder questions and gets answers • establishes trusting and inclusive relationships with school staff, the governing body and the local authority • provides financial information to parents as appropriate • uses diplomacy when answering difficult questions 		
<p>8. Demonstrates the personal commitment and qualities required for financial management:</p> <ul style="list-style-type: none"> • participates in the financial work of the school by preparing for and attending meetings, contributing to discussions and taking agreed actions • takes part in available financial training and chances to develop knowledge/skills/understanding 		

<ul style="list-style-type: none"> • seeks appropriate professional support and development • is systematic in the way that tasks are undertaken • takes responsibility for self and workload • gives and receives constructive feedback • understands where to get additional information and advice from 		
<p>9. Has a clear understanding of the framework of financial control:</p> <ul style="list-style-type: none"> • follows good financial practice within statutory and national requirements • follows good financial practice in accordance with local requirements • has an understanding of own and others roles and contributions in relation to the financial management structure • regularly revises financial planning timetables to take account of changes in deadlines 		
<p>10. Controls and monitors financial systems:</p> <ul style="list-style-type: none"> • supervises (controls and monitors) the work of other people • ensures that operational, procedural and regulatory requirements are met • takes action when things are not being done/done properly/done efficiently 		

<ul style="list-style-type: none">• supervisory (control and monitoring) activity covers:<ul style="list-style-type: none">• income received• payroll• purchasing• the banking system• petty cash holdings and payments• taxation system• voluntary funds• the school's assets• the financial management system e.g. SIMS, Sage, Pegasus		
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Section 3: Setting a well-informed and balanced budget

To set an effective budget, a school needs to carefully examine what its likely income and expenditure will be.

Timing

Maintained schools should aim to set their annual budget before the financial year starts (i.e. by 1 April), but this may be difficult because local authorities are only required to issue school budget shares by the end of March. When schools cannot set their annual budget before 1 April, they should aim to set it as soon as possible after this date. Local authorities set the date when they require annual budgets from their schools and so schools are advised to check the deadline with their local authority. The guidance for local authority schemes for financing schools states that local authorities should not require the school's formal budget plan to be submitted before 1 May.

A key component of the budget, i.e. income from the local authority, is not known until the local authority sets its budgets for schools (by the end of February each year). Therefore, the time for detailed budget work is limited and it is important to start the process of effective budget setting before this.

Information to use in budget setting

For most of the budget setting process, the figures used will be best estimates. A good budget is only possible if the estimates of likely income and required expenditure are realistic. The three most important estimates are as follows.

- The local authorities' schools' budget for maintained schools (which must include all the Dedicated Schools Grant and Pupil Premium received but can be added to from the local authority's own resources) and the EFA Post 16 Budget (for schools with sixth forms). These typically account for over 90% of a school's annual income. Since your local authority and the EFA both use pupil number based formula, this estimate is best based on the October annual school census return for the annual budget.
- Staffing costs in schools typically account for 75% to 80% of the overall school expenditure. Again, once the annual school census return is complete in January staffing requirements can be estimated and known/planned changes can be entered on a staff salary calculator for the annual budget. The staffing implications of changes in pupil numbers should also be factored in for future periods.
- Premises and ICT typically account for a further 10% to 12%. The school's ICT and premises development plans should provide the basis for these estimates, as they are costed and prioritised and used to set the provisional budget figures in January for the annual budget.

Process

It is important to align the budget setting process with agreeing the schools' plans for raising standards and attainment. Schools should make sure their budget takes account of their schools' development priorities and that development plans are costed and can be delivered within the budget. Both should be reviewed on a regular basis.

The full process should involve:

- **estimate income** – based on annual school census, plus estimates for other income sources
- **estimate staff costs** – based on a staff salary calculator, taking account of known retirements, responsibility allowances etc.
- **estimate operational expenditure** – based on known cost-trends for utilities, insurances, supplies etc.
- **allocate curriculum budgets to departments** – use a transparent system to equitably allocate funds in line with need and school development priorities
- **identify ICT developments** – start with priority 1 items from the ICT development plan. If funds allow move on to priority 2 items and so on
- **identify premises developments** – start with priority 1 items from the Premises development plan. If funds allow, move on to priority 2 items and so on
- **verify planned levels of unspent balances** – ensure the resulting annual surplus or deficit is in line with plans to either recover from an overall deficit position or build up unspent balances to fund future development plans

Presentation of the budget and the expected cash flows

The annual budget needs to be approved by the governing body before the start of the financial year or, where this is not practical, as close to the start as possible. The presentation of the budget needs to be clear, and it should aid transparency.

To aid in-year monitoring, the annual budget should be profiled over the year. A budget profile presents the likely spending pattern over the 12 months of the year, recognising that not all expenditure is likely to be incurred evenly over the 12 months. This process will normally enable schools that have their own bank accounts to profile the expected flow of cash into and out of its bank account so that it can be sure it will have the cash it requires to pay its likely outgoings and to anticipate borrowing needs or cash investment opportunities.



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