



Keystone Academy Trust

Financial Planning Policy

Created: October 2021
Review date: October 2022

Statement of Intent

It is important for KAT to prepare both short term and medium term financial plans.

The short term plan refers to the current academic year. The three year plan (also known as the medium term plan) refers to the following three academic years.

The medium term financial plan is prepared annually in the spring and summer term as part of the development planning process on the future of the Trust. The development plan formulated by the trustees indicates how the Trust's educational and other objectives are going to be achieved and the financial plan indicates the financial impact of those plans to ensure that the plans are cost-effective and make best use of the Trust's financial resources. This plan is submitted to the ESFA (BFR).

The medium term plan provides the framework for the annual budget for the next academic year for the MAT and individual academies.. The budget is a detailed financial statement of the expected income and expenditure available to each academy for the relevant academic year. The annual budget is submitted to the ESFA each year (BFR).

The process for developing the development plan and finance plan are described below.

1. Development Plan

The budget and medium term plan defines the future aims and objectives of the Trust and how those plans are to be achieved within the financial constraints of the organisation. Plans will be kept simple and flexible. They are the "big picture" within which more detailed plans may be integrated as the plans are actioned.

The form and content of the development plan are matters for the Trust, the academies and governors to decide but due regard should be given to the matters included within the guidance given to academies by DfE/ESFA.

At the beginning of each academic year the KAT CFO will propose a planning timetable to the CEO, Head Teachers/Head of Schools. Early consideration should be given to:

- The success and failure of past activities and strategic initiatives
- Discussion, confirmation and redefinition of the aims and objectives of the Trust and individual academies in the short term and medium term
- Partnering the budget to the School Improvement Plans to demonstrate how funds spent will achieve the SIPs' objectives.
- The impact of each school's finances on the MAT as a whole.

The CFO has the lead responsibility for the completion of the budget.

The Medium Term Plan will include detailed objectives for the coming academic year and outline broad objectives for the following two years. The plan should also include the draft estimated income and expenditure (both capital and revenue). Consideration should be given to cash flow if these are deemed to be significantly affected by the plans. The financial implications will be documented in detail within the annual budget for the current financial year and in high level detail for the subsequent two years.

Lead responsibility for ensuring progress is made towards the objective will be assigned to a member of the senior management team. That staff member should monitor performance against the defined success criteria throughout the year and report to the Trustees as requested. This is of particular importance if there is a significant divergence from the agreed plan and if a change in the course of action is needed.

2. Annual Budget

The CFO, CEO and Head Teacher/Head of School are jointly responsible for preparing and obtaining approval for the annual budget. The budget must be approved first by the Finance & Assets Committee who then recommend it for final approval at the Board of Trustees. These approvals must be minuted. After agreement the budget must be submitted to the ESFA in accordance with the ESFA timetable. The CFO is responsible for establishing a timetable that allows sufficient time for the approval process and ensures that the submission date is met.

The annual budget must reflect the best estimate of the resources available to the Trust and academies for the forthcoming academic year and will detail how those resources will be utilised to achieve the Trust's and academies' goals/strategic plans for that year. There should be a clear link between the development plan objectives and the budgeted utilisation of resources.

The budgetary process will be in a format deemed appropriate for each academy and should be prepared on a prudent basis to help minimise the impact of any unexpected cost or revenue changes.

Balancing the Budget

As part of the budget preparation, comparison of estimated income and expenditure should be used to identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure reviewed for areas where cuts can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets must be revised until income and expenditure are in balance. If a potential surplus is identified then this may be held back as a contingency, held for future significant capital projects, or alternatively allocated to areas of need in the current budgeted academic year.

Finalising the Budget

A draft budget should be prepared by the CFO in conjunction with the CEO, Head Teacher/Head of Finance and this should be communicated to the Finance & Assets Committee and Board of Trustees for approval. If necessary, different options and scenarios can be added for the governors to decide upon. Once approved the budget should be communicated to the Senior Management Team of each school, staff with budgetary control, Central Finance Team and purchasing administrators in the schools so that all appropriate staff are aware of the plans.

The budget will, if appropriate, include a statement of assumptions and a hierarchy of priorities so that if financial circumstances change it is easier for remedial action to be taken. The budget is to be seen as a working document which may need reforecasting during the year if circumstances change. If appropriate and if circumstances change the Trustees can authorise budget virements between different budget categories.

Monitoring and Reviewing

Monthly reports will be prepared by Central Finance. The reports will detail income and expenditure against budget, capital expenditure, balance sheet positions as well as cash flow. KPIs will also be developed and presented. These reports will be sent to the CEO and Chair of the Finance & Assets Committee. It will also be uploaded to the Trustee portal on the Trust's website.

Any potential overspend against the budget must in the first instance be discussed between the Head Teacher and the CFO and an action plan to address the spend be put in place. Any significant overspend that could result in a year-end deficit must be discussed at the next Trustee meeting with explanations on why the overspend has occurred and what can be done to mitigate the impact.

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 may be appropriate to vire money from another budget or from any contingency if budgeted.

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