

INTRODUCTION TO FINANCIAL MONITORING - OVERVIEW

UNDERSTANDING FINANCIAL MONITORING

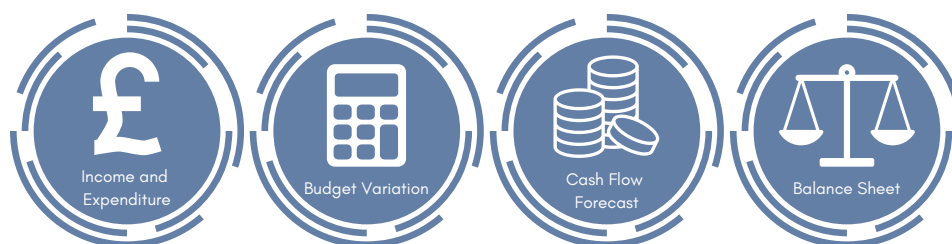
MONITORING THE BUDGET

Once an organisation has set its budget, monitoring its performance against its objectives is key in determining its ongoing viability. Academy Trusts must produce management accounts every month to monitor its financial position, however the requirement for maintained schools is to produce quarterly income and expenditure statements to the local authority, nevertheless, it is good practice to assess an organisations financial position every month.

The format of monthly management accounts for Academy Trusts must include an income and expenditure account, variation to budget report, cash flows and balance sheet. A simpler format can be adopted for maintained schools as many of them do not have bank accounts and may simply wish to review income and expenditure against the schools budget and also analyse any budget variances that has occurred.

Management accounts must also be shared with the chair of trustees every month irrespective of the size of the trust, and with the other trustees six times a year. The board must consider these when it meets. The board must ensure appropriate action is being taken to maintain financial viability, including addressing variances between the budget and actual income and expenditure.

Regardless of the type of school, the board's third core function is to oversee financial performance and make sure public money is well spent. It should do this by ensuring it has at least one individual with specific, relevant skills and experience of financial matters, as per the Governance Handbook October 2020.



Income
Expenditure
Capital Income
Capital Expenditure
Balances

CONSISTENT FINANCIAL REPORTING FRAMEWORK (CFR)

The CFR provides a template for schools to collect and reports information about their income and expenditure by financial years.

FINANCIAL MONITORING

COMPONENTS OF GOOD BUDGET MONITORING

Components of good budget monitoring reports are that it:

Compares actual income and expenditure to the approved budget that has been set

Profiled budgets

Clearly shows the all the variances in either a cash format of/and a percentage format

Includes supplementary commentary clearly explaining all the organisations variances

Includes the organisations commitments

Includes sub totals of each specific section and a grand total

FINANCIAL REPORTING

There are a number of financial reports that organisations can use to provide different types of analysis.

Balance Sheet

The balance sheets records the financial position at the end of a period.

Income and Expenditure Account

The income and expenditure report summarises transactions and shows whether there has been an excess of expenditure over income or vice versa for the year.

Cash flow Statement

The cash flow statement records performance over a period from a cash perspective

Monthly monitoring report

Monthly monitor reports show the organisations budget forecast against the organisations actual expenditure

Budget analysis

Can include a number of factors e.g. value for money, impact of spending, virements made, comparison of spend against other schools, at end of year planned against actual



shardbusinessservices.co.uk



07714651415



office@shardbusinessservices.co.uk



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