



Accounting
For Schools

SCHOOL BUDGETING FINANCE HANDBOOK

Planning and Managing Your
School Budget Effectively



CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND



PLATINUM
PARTNER

AWARD
FINALIST
2022

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1

BUDGETING IN SCHOOLS

What is the purpose?



A well planned budget is an important tool for a school, ensuring the optimal and effective utilisation of its resources (cash). It functions as a guiding compass, enabling the school to fulfil its financial goals and objectives, all the while offering a structured framework for informed decision-making and resource allocation.

A budget holds paramount importance for several reasons, including:

- **Prioritisation:** A budget allows schools to prioritise their spending based on their most pressing needs, ensuring that resources are directed towards the programmes and initiatives that will have the greatest impact on student success.
- **Resource allocation:** A budget helps to determine how much money is available for spending on various programmes and initiatives, as well as teacher salaries, classroom supplies, and building maintenance.
- **Financial stability:** By creating a budget, schools can better control their finances, ensuring that they have the resources needed to meet goals and obligations.
- **Transparency & accountability:** A school budget provides transparency and accountability by clearly outlining how public funds are being used. This helps to build trust with stakeholders, including parents and teachers.
- **Decision-making:** A budget will assist schools in making informed decisions regarding the allocation of resourcing, allowing them to prioritise the best interests of both students and the school community.

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MINISTRY REQUIREMENTS

What are the requirements?

	JUL 2022	YTD ACTUAL	YTD BUDGET	YTD VARIANCE	FULL YEAR BUDGET	FULL YEAR BUDGET REMAINING	BUDGET UTILISED %	2022 FORECAST
Income								
Fundraising Income	11,110	12,110	5,838	6,272 ↑	10,000	(2,110)	121%	17,300
Government Grants	37,054	278,237	232,849	45,388 ↑	384,257	106,020	72%	453,300
Other Income	183	6,304	3,794	2,510	6,300	196	97%	6,500
Student Activities	330	(2,490)	269	(2,675)	1,700	4,106	-142%	-
Total Income	49,467	294,246	242,550	51,696	402,457	108,211	73%	477,100
Expenses								
Administration	5,243	40,213	40,341	(128) ↓	69,100	(28,887)	58%	69,100
Admin Staff Expenses	1,134	7,330	9,156	(1,821) ↓	15,700	7,765	51%	15,000
Audit & Accounting Fees	685	3,259	4,081	(822) ↓	7,000	3,741	47%	7,000
Board Expenses	75	450	525	(75) ↓	900	450	50%	900
Communication	127	901	1,869	(968) ↓	3,200	2,299	28%	2,000
Consumables								

School boards are responsible for the financial governance of their school. There are specific reporting requirements for school budgets that must be adhered to. This ensures the maintenance of transparency, accountability, and proficient financial governance.

Section 134 of the Education and Training Act 2020, requires budgeted figures for each of the financial statements included in the annual report. These include the Statement of Comprehensive Revenue and Expense, Statement of Financial Position, and Statement of Cashflows. Presented below is a concise overview of the statements your school is required to provide.

What are the requirements?

- Statement of Comprehensive Revenue & Expense (Profit & Loss):** This financial statement summarises the revenue and expenditure of the school over the financial year and shows if it has managed to operate within the funding received.
- Statement of Financial Position:** This financial statement shows everything the school owns (assets) and everything it owes (liabilities) at a specific date, equating to the total equity of the school (i.e total net worth).
- Statement of Cashflows:** A statement of cash flows shows all cash received and paid by the school over the financial year. It is split into three categories: operating, investing, and financing.

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MINISTRY REQUIREMENTS

(continued)

Who is involved?

The board and principal have a shared responsibility to prepare the budget. Schools may set up a finance committee that includes the principal and at least one board member. The committee is tasked with preparing the budget, and they may also choose to seek advice from a finance professional to ensure the estimates are correct. The board is responsible for approving the budget prior to the beginning of the financial year.

The budget will be made up of many components but should include the four specific areas below:

OPERATING BUDGET

This is the most familiar component. It identifies the revenue and expenses as captured in the Statement of Comprehensive Revenue and Expense. It also includes non-cash expenses such as depreciation and the provision for cyclical maintenance expense.

CAPITAL EXPENDITURE BUDGET

Capital purchases are not part of the operating budget and should be budgeted for separately.

CASHFLOW BUDGET

This represents all cash in and out of your bank accounts so does not include any non-cash items such as teacher salaries, depreciation and cyclical maintenance provision. The budgeted result should be reconciled to the operating budget bottom line by considering non-cash items, capital purchases, and changes to receivables and payables including movement in Ministry projects (this is best done by a school financial services provider).

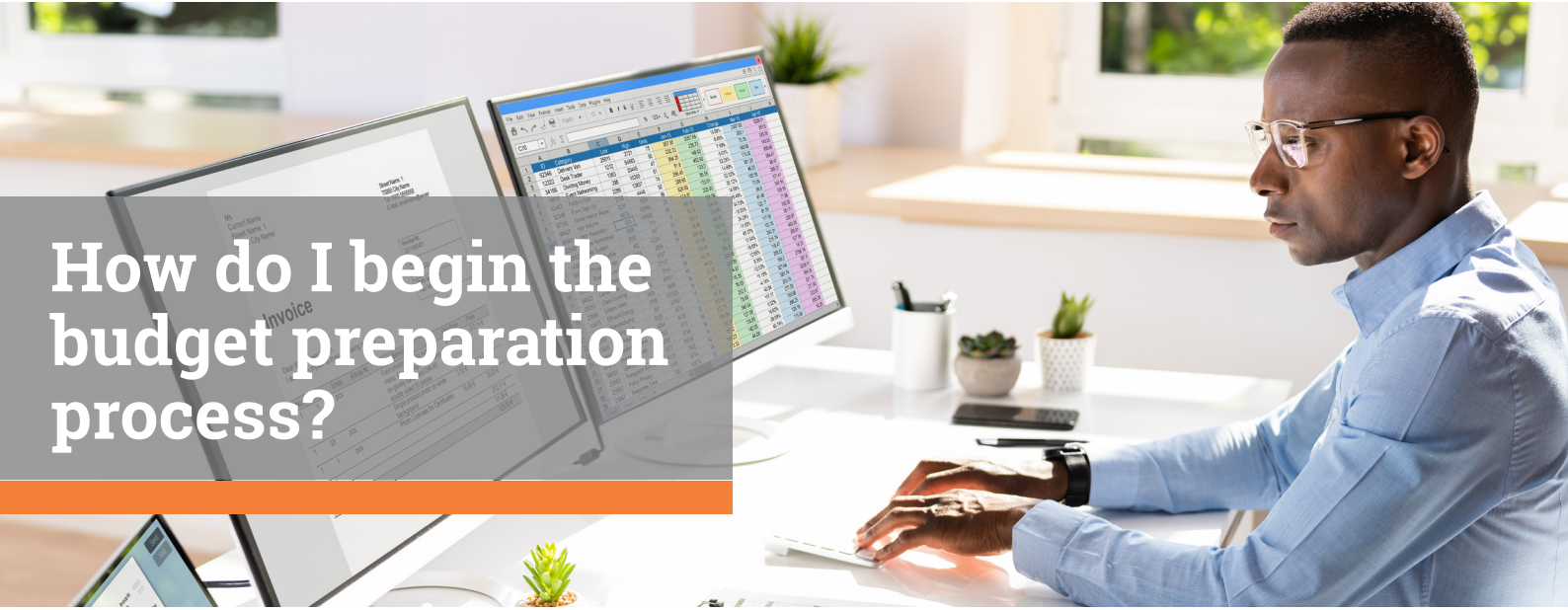
BALANCE SHEET BUDGET

The other three budget types are required to form the balance sheet budget. This is used to predict the level of assets, liabilities, and equity at year end.

4

PREPARATION

Gathering data, reviewing, and identifying



How do I begin the budget preparation process?

To begin the process of building a budget, it is essential to gather all relevant financial data from the previous year, including income sources and expenses.

Once this data has been reviewed, the next step is to establish this year's annual priorities, known figures, and expected outcomes for the year ahead. A robust budget begins with comprehensive planning that is well-founded and tailored to meet the school's unique requirements while aligning seamlessly with the school's mission and vision. Keep in mind that meticulous planning in this process will lead to a more effective and accurate budget.

To be as accurate as possible in your planning, it is important to:

- review the school charter strategic plan to identify specific goals or activities that need to be budgeted for
- review the provisional funding notice provided by the Ministry and determine whether this includes an accurate student roll
- review income against the budget for the current year, noting any items that will not be ongoing
- review expenditure against the budget for the current year to see what has gone well and what needs to be addressed in the new year
- identify the information required to help make sound decisions

5 DRAFTING A BUDGET

Determining your costs

As you draft your operating budget, consider the following questions:

Revenue:

- what is your operations grant entitlement next year? Review the indicative operations grant notice to ensure line items match expectations
- what special education funding are you expecting next year? (i.e. ORS, HHN, IRF, etc.)
- what activity fees and/or donations/koha do you expect to collect next year?
- are you planning an overseas student programme next year?
- what fundraising do you plan for next year?

Personnel costs:

- what is your entitlement for teachers next year?
- do you plan to fund any teachers from operational funding or locally raised funds?
- how many teacher aides are you planning to employ next year, how will they be funded and how will they contribute to student outcomes?
- how many support staff are you planning to employ next year and how will they contribute to student outcomes?

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DRAFTING A BUDGET

(continued)

Department and curricular costs:

Based on your review of student outcomes, what department and classroom costs are you likely to incur next year? Liaise with your departments/curricular teams.

Infrastructure costs:

Based on your review of school infrastructure, what property and ICT costs are you likely to incur next year? What fixed assets need to be replaced?

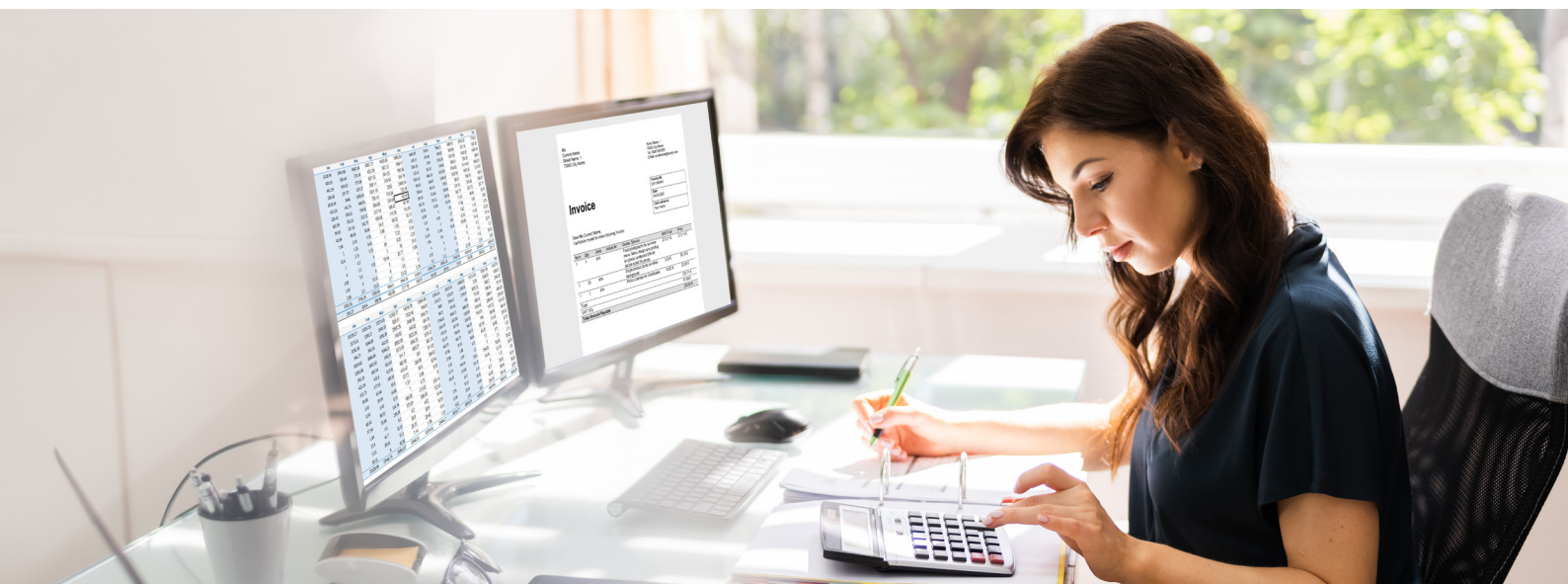
Other costs:

What other expenditure must you include next year? (administration, depreciation costs, cyclical maintenance provision, operating lease costs, finance lease interest costs).

Future costs:

Do you have costs coming up in future years that you will need to save for now?

Remember, when creating your draft budget, having an in-depth understanding of the school's available funds, expenses, and the budget objectives is crucial. A plan of action brings all these variables together and translates the school budget into a practical roadmap for financial management and achieving educational goals effectively.



TIP: IT MAKES GOOD FINANCIAL SENSE TO BE CONSERVATIVE WHEN ESTIMATING REVENUE, JUST IN CASE THINGS DON'T GO QUITE AS WELL AS HOPED.

AFS BUDGET TEMPLATE

To ensure a smooth and straightforward budgeting process for our schools, we assist by creating a custom budget template in Xero. This template is then exported to a Google Sheet, allowing for collaboration among the budget stakeholders (BOT, Principal, Support Staff, and AFS).

Within this template, schools enter revenue and expense amounts in all listed categories. Once completed, we will review the draft budget and identify potential opportunities for savings and ensure no material items are omitted.

The budget template includes sheets for calculating planned capital purchases, a tool for working through Teacher Entitlement, and another for determining support staff salary costs. To provide guidance, we send a budget email to all schools, explaining the process. Below is an example of the annual budget template sheet we provided in 2024:



2024 School Budget

ABC School

For the year ended 31 December 2024

Account	2022 Actuals	2023 Budget	2023 YTD Actuals (to 31 Aug)	2024 Budget
Government Grants				
ESOL	2,275	5,000	2,663	3,000
Other Government Grants	2,106	0	0	0
Other MOE Grants	6,435	50,000	41,846	50,000
School Operating Grant	529,620	562,703	382,172	630,011
Total Government Grants	540,436	617,703	426,680	683,011
Activities				
Camp Income	103,665	50,000	70,607	50,000
Hire of Facilities	4,109	3,000	7,372	3,000
Sports Fees	16,750	10,000	5,156	10,000
Trips & Events	2,491	500	0	500
Total Activities	127,016	63,500	83,134	63,500
Local Fundraising				
Donations - Families	41,095	35,000	37,664	35,000
Donations - Others	20,865	28,000	16,513	28,000
School Fundraising	23,129	10,000	6,221	10,000
Community Grants	4,000	4,000	0	4,000
Total Local Fundraising	89,089	77,000	60,398	77,000
Investment Income				
Interest	1,908	2,000	1,556	2,000
Total Investment Income	1,908	2,000	1,556	2,000
Other Income				
Other Grants	44,372	44,000	46,836	44,000
Total Other Income	44,372	44,000	46,836	44,000
Trading				
Income				
Income - Canteen	5,474	5,000	2,656	5,000
Income - Stationery	66	0	0	0
Total Income	5,540	5,000	2,656	5,000
Purchases				
Purchases - Canteen	(4,829)	0	(2,816)	0
Purchases - Stationery	0	(5,500)	0	(5,500)
Total Purchases	(4,829)	(5,500)	(2,816)	(5,500)

ORS x 4 students
Based on 446 students

Year 5 & 6 camp

Teacher Entitlement/Utilisation

ABC School

For the year ended 31 December 2024

	Year Group or Room	Usage
Class teachers		12.00
Management Team		3.00
Other		6.00
SENCO		0.80
CRT		0.40
Total Usage		22.20
Entitlement		
Staffing entitlement (mgmt 2.2)	21.30	Based on 2024 Prov notice
Special Ed Staffing	0.11	
Additional Staffing	0.80	
Attached Teaching Position	0.00	
CRT/PRT Allowance	0.00	
	22.21	
Surplus to Receive/Deficit to Fund		(0.01)
If Deficit to fund		0
If Surplus, to receive		(745)

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REVIEWING A DRAFT BUDGET



How to evaluate your draft budget

Creating your draft budget is only the first step in the budgeting process. You will also need to carry out a thorough review at the end of the budgeting period. Before holding a budget review meeting, it's important to look over any key documentation and note down relevant discussion points.

For example, these points may include:

- are your assumptions realistic? Is the provisional roll accurate?
- will you have the funds necessary to make planned fixed asset purchases?
- how can you make changes in the future to ensure you make a surplus and start building up reserves?
- are there any areas where spending is not essential and does not directly contribute to student achievement?
- have you provided for cyclical maintenance?
- based on your experience last year and over the year to date, is your budget realistic?
- does the school show a surplus after depreciation? If not: What changes can you make that will increase revenue and cut costs?

SURPLUS VS DEFICIT

Uncommitted funds is the term we use at Accounting For Schools for describing the untagged reserves a school holds at any given time, its net financial position. These reserves are built up from a combination of prior year surpluses and equity grants from the Ministry of Education (IE: furniture and equipment grants).

These reserves are utilised for fixed asset replacement, new school initiatives and rainy-day events, such as initial costs associated with an insurance claim. Uncommitted funds can also be utilised to cover future period budgeted deficits, when a school is experiencing a lean funding year.

An uncommitted funds surplus is generated when revenue exceeds expenditure (excluding depreciation, but including expenditure on fixed assets). For example: a school generates \$1,000,000 of revenue, incurs \$800,000 of expenditure before depreciation, and spends \$100,000 on fixed assets, the uncommitted funds will increase by \$100,000 (\$1,000,000 less (\$800,000 + \$100,000)). An uncommitted funds deficit is incurred when expenditure and fixed asset expenditure exceeds revenue for the year.

We are often asked if generating a deficit for the year is a concern. The answer is that it depends on the current uncommitted funds position of the school and whether the deficit is going to be a one-off event or an on-going issue for several years. Planning for fixed asset replacement is also a key consideration; refer to our page on fixed asset replacement.

When the school has sufficient reserves, there are several reasons to justify planning for an annual deficit, including:

- to retain existing staff when the funding is impacted due to abnormally low student numbers for a particular cohort for a year or two;
- when the school is expecting to generate offsetting surpluses in the years ahead;
- when a significant level of maintenance costs need to be incurred; and
- when undertaking a one-off event to assist with learning outcomes, IE: additional professional development, additional relieving for one-off event, etc

It's important to understand the impact of the annual budget on uncommitted funds, as a budget deficit may not adversely impact the schools net financial position, and in many instances is justified when looking beyond just the next year.



Making informed financial decisions together

Once you are confident that the budget is representative of the school's strategic plan, prepare it for review and approval by the board.

The full Board will need to review the proposed budget. Depending on how much input board members have had in budget planning, they may want to refine some of the detail. When the proposed budget has been reviewed and updated, the board formally approves the budget, and records the decision in its minutes. The approved budget will need to be incorporated into your annual report. A copy of the approved budget and the related minutes should be provided to your auditor. Once the budget has attained approval, it can then be implemented.

If the board wants to review and readjust the budget part way through the year (as a result of unexpected income or expense) they can create a revised budget that can be used for reporting purposes. However, the original approved budget is still the one to be included in the annual report.

Managing school finances effectively.



To ensure that your school's budget remains aligned with its financial goals and to avoid any setbacks before they occur, it is crucial to consistently monitor the budget. Typically, the monitoring process is carried out on a monthly basis. The maintenance of your school's financial stability relies on a steady practice of reviewing the budget against actual income and expenses.

Use these top tips to monitor your budget successfully:

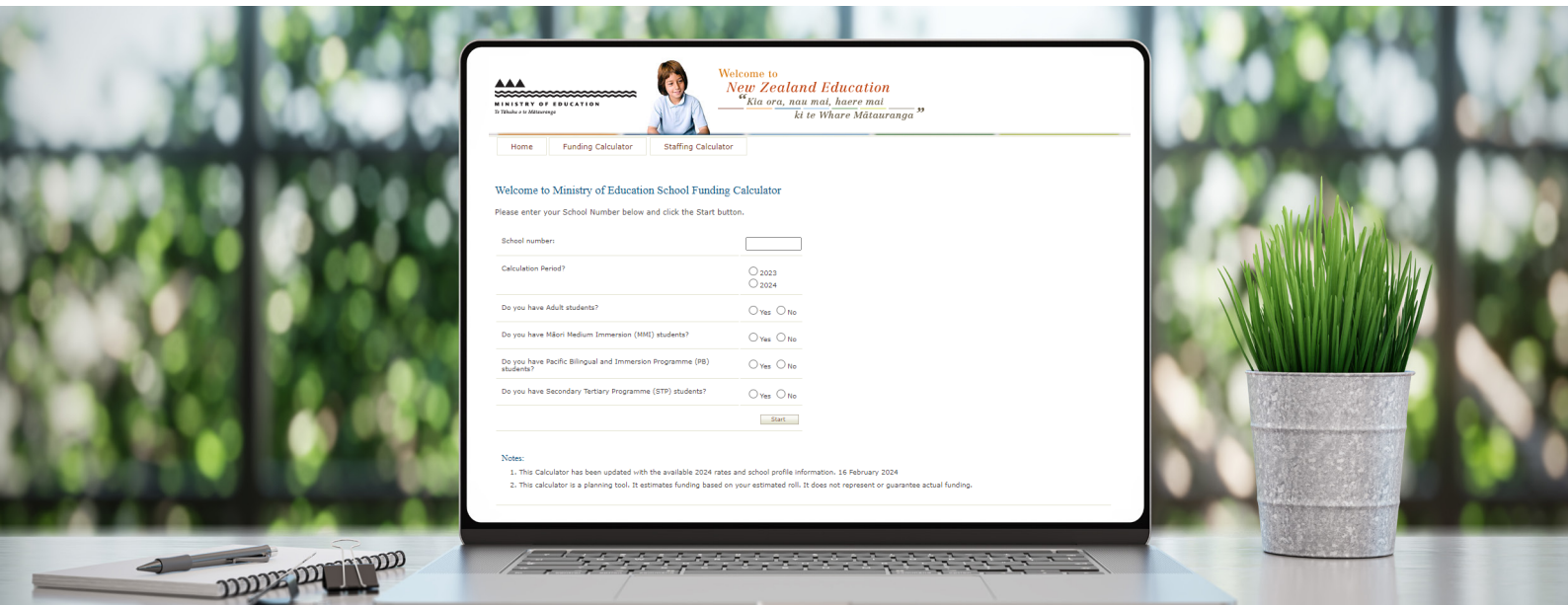
- **Focus on the main issues:** At budget monitoring meetings stick to the highlights and big issues. You may want to acknowledge smaller budget items that are proceeding according to plan, but you do not need to discuss them. Use your time to concentrate on the important issues. These are likely to be salaries, repairs and maintenance and curricular.
- **Look out for warning signs:** All things going well, you should not be surprised by anything on the budget report. Operational management activities ought to have led you to expect what you see. If this is not the case, then either your budget is incorrect, you are pursuing incorrect actions, or there is no clear link established between your operational plans, decisions, and your budget.
- **Take appropriate corrective action:** If your budget goes off course, don't wait until it's too late to act. Last-minute spending restrictions are unlikely to fix the situation. When issues arise, promptly agree on corrective actions, assign responsibilities, and document the decisions as soon as possible.

Ministry of Education School Funding



Schools receive many different types of funding from the Ministry of Education throughout the year. Here is a summary of the most common types:

- **Operational grant** - this is the main source of funding for schools and is paid quarterly at the beginning of January, April, July, and October. The level of funding is determined by the student roll and the equity index.
- **Teacher aide funding** (ORS, IRF, SEG, etc.) - this is provided to schools to help cover the costs of teacher aides in the classroom to support students with higher needs. The level of funding is determined by the assessed needs of the students. Schools must apply for this funding for eligible students, and it is also paid quarterly, in Feb, May, August, and November.
- **ESOL funding** - this is funding to assist with the teaching of English to migrant and refugee students as well as NZ-born students of migrant parents. The school must apply for this funding for eligible students, and it is paid twice a year in April and September.
- **Furniture & Equipment grant** - this is a capital contribution to assist with the upgrading of furniture & equipment within a school. The level of funding is determined by the physical size of the school and is paid out in each 5-year period. Two-thirds is paid out in the first year of the 5-year cycle and the final third is paid out in year three. This funding is recorded on the balance sheet, not as income.
- **Capital Works (5YA) Funding** - this funding is provided for upgrades to school land and buildings, and is to be used over a 5-year period. The amount of funding is determined by the Ministry of Education based on the assessed needs of the school and is set out in the school's 10-Year Property Plan. This funding is recorded on the balance sheet, not as income.



The Ministry of Education website provides customisable calculators that can be tailored to your schools specific details. We recommend saving the links below as bookmarks for easy access.

Staffing entitlement calculator:

The staffing calculator provides an estimate of the staffing entitlement based on a given roll scenario.

<https://www.education.govt.nz/school/funding-and-financials/school-finances/>

Operational Grant Funding Calculator:

This calculator estimates the funding based on your expected roll. While it does not represent or guarantee actual funding, it is a valuable tool for schools to use in forecasting when the student roll is likely to change.

<https://www.fundingcalc.minedu.govt.nz/QuarterlyFunding/>

The Importance of Asset Replacement Planning

Asset replacement planning is a critical component of financial management for schools, ensuring the sustainability and efficiency of operations over the long term. This planning process involves identifying, budgeting for, and strategically replacing physical assets such as equipment, technology, and infrastructure when they reach the end of their useful life.

By systematically forecasting the lifecycle of these assets, schools can ensure outdated assets are replaced with newer, more efficient ones. This not only reduces operating costs and conserves resources but also supports educational goals by providing reliable technology and functional facilities conducive to quality education. Financially, planning for asset replacement spreads costs over time, promoting fiscal responsibility and ensuring compliance with safety standards and regulatory requirements.



Fixed Asset Replacement Programme

ABC School

As At 31 December

Asset Type	Original Purchase date	Original Purchase Price	# of Items	Expected Purchase Date	2023	2024	2025	2026	2027	2028	2029
ICT	1/01/2022	15,000	30	1/01/2027					15,000		
					-	-	-	-	15,000	-	-
FURNITURE & EQUIPMENT	1/01/2018	10,000	25	1/01/2024		10,000					
					-	10,000	-	-	-	-	-
OTHER FIXED ASSETS											
					-	-	-	-	-	-	-
Total Replacement per annum					-	10,000	-	-	15,000	-	-



What are the requirements?

Cyclical maintenance in schools refers to the significant property maintenance work that schools undertake on a regular basis to maintain the buildings in good order and to prevent small problems becoming larger ones that will become more costly to remediate.

The land & buildings of a school are owned by the Ministry or the Proprietor, but School Boards are required to keep them well maintained, and this includes cyclical maintenance.

Cyclical maintenance can include exterior & interior painting, repainting the school pool, resealing hall floors or resealing car parks.

This is recorded as a provision for cyclical maintenance within the accounts. The provision for cyclical maintenance is an estimate of the cost to carry out the work in the future, and is based on the school's cyclical maintenance plan. This provision is built up over a number of years, until the work is due. A budgeted expense is included each year to increase the liability on the balance sheet.

It is important that schools set aside enough funds to match the provision that has been created. If a school does not set aside money each year from its operations grant, then it may struggle to pay for the full cost of the painting or other maintenance in the year it is done.

For more information and guidance on cyclical maintenance, you can access the Ministry of Education's 'Financial Information for Schools' Handbook by typing the following URL into your browser:

<https://assets.education.govt.nz/public/Financial-Information-for-Schools-Handbook-April-2023.pdf>

APPROVALMAX:

Managing Spending



When aiming to streamline your budget and expenditure management, ApprovalMax - an approval automation app for Xero, stands out as an excellent solution for schools. Put simply, ApprovalMax is a tool designed to ensure the approval and timely payment of your school's bills and expenses. Since all these financial transactions will impact the school's overall budget, it is essential for the school to have an efficient process in place when it comes to spending control.

By using ApprovalMax in conjunction with the Budget Checking feature, your school can maintain financial oversight, enabling more informed decisions during the approval check and ultimately saving time. ApprovalMax is available for as little as \$40 + GST per month.

ApprovalMax offers approvers a Budget Checking feature, where you can:

VALIDATE SPENDING AGAINST THE BUDGET



Approvers can collate the amounts of pending purchase orders and bills with existing budgets before making their decision. Once an approval has been completed, the remaining budget will be recalculated accordingly.

VIEW BUDGETS RIGHT NEXT TO THE DOCUMENTS YOU ARE APPROVING



Budgets are synchronised in real time and approvers can see which documents have already impacted a specific budget. ApprovalMax uses account codes and document dates to pull the relevant budgets for each of the line items in the document under approval.

CHOOSE ANY PERIOD FOR BUDGET CHECKING



You can choose from a number of options for tracking budgets: 1, 3, 6, 12 months and YTD; or have the budget checking period start either at the beginning of a financial year or from a custom month. You can also specify if net or gross amounts are to be used for checking and tracking budgets.



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CONTACT US

Talk to the School Accounting Experts today
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