



## **FINANCE POLICY AND PROCEDURES FRAMEWORK**

### **Budget Setting and Monitoring Policy and Procedures**

#### **1.0 Purpose**

The purpose of this document is to define the roles and responsibilities of the Board of Governors, Directorate, Senior Management Team and staff, by detailing the College Policy & Procedure by which staff can identify income, and commit expenditure within an approved budgetary framework.

#### **2.0 Policy**

***Jewel & Esk College will ensure that budget setting and monitoring of income and expenditure is robust and is controlled within the remit of a person's delegated authority and responsibility.***

#### **3.0 Scope**

- 3.1 To ensure that there are adequate procedures and processes in place within Jewel & Esk College, to ensure that effective budget setting and monitoring takes place within a given financial year.
- 3.2 This policy should be read in conjunction with the College Equality Diversity & Inclusion Policy and its separate Disability, Race and Gender Equality Schemes.

#### **4.0 Responsibilities**

The following staff have responsibilities under this policy:

- 4.1 The Director of Finance is responsible for the operation and management of this policy.
- 4.2 The Board of Governors has a duty to govern the College financial affairs and ensure that it provides suitable and efficient further education.
- 4.3 The Principal and Chief Executive is responsible for advising the Board of Governors on the proper discharge of its financial duties.
- 4.4 The Directorate has delegated authority to maximise the use of resources, through the achievement of economy, efficiency and effectiveness and for ensuring that financial considerations are taken into account, at all stages of the decision-making process.

- 4.5 The Senior Management Team and staff carry delegated authority to ensure that, at all times, they shall endeavour to secure the best value for expenditure incurred.

## **5.0 General Principles**

- 5.1 To ensure that the College budget is aligned to incorporate the operational activities that play a fundamental role in the achievement of the College's objectives.
- 5.2 To ensure that the College's budget is authorised at the beginning of the financial year and that any subsequent budget amendments throughout the year are appropriately authorised.
- 5.3 To ensure that the responsibility for budget setting delegated to the appropriate managers and the achievement of budgets is specific and clear.
- 5.4 To ensure that there are monitoring controls in place that highlight deviances from budget, prompting action to investigate.
- 5.5 To ensure that the College's budget reflects the hierarchical structure and operations of the College, including costs associated with meeting legislative requirements (e.g. Health & Safety, Disability Discrimination Act, etc).
- 5.6 To ensure that the budgetary system does not allow unnecessary expenditure to occur, and that Income/Expenditure Variance are 'flagged' at an early stage.
- 5.7 To ensure that sufficient management information is produced to enable managers to monitor performance against budget.

## **6.0 Procedures**

- 6.1 The Directorate receives the Annual Funding Allocation from the Scottish Funding Council, normally at the end of April/ beginning of May preceding the funding year.
- 6.2 The Director of Finance summarises the funding movement from the previous year, together with any funding issues arising and circulates the information to the Directorate, Board of Governors, Senior Management Team and all other interested parties. The Principal/Chief Executive confirms acceptance of the allocation to the Funding Council.
- 6.3 The Director of Finance or the Head of Finance will meet with the Senior Management Team to agree income and expenditure budgets. The Human Resources Section, in conjunction with the Finance Department, provide staffing budgets and are "signed-off" as correct by the Senior Management Team.
- 6.4 The Depute Principal and Heads of Faculty will meet with the Finance Director to agree sector activity targets (based on SUMs) and their other income targets, including fee waiver, business, and commercial income.

- 6.5 Consolidated budgeted expenditure will be submitted by the Head of Finance to the Director of Finance for all departments, using the latest cost centre reports, amended where necessary for any 'abnormal' expenditure incurred in that year, using a zero based budgeting approach as much as possible.
- 6.6 Income budgets for all faculties and other operating activities, including leisure facilities, Food Court and Halls of Residence, will be prepared by the relevant manager, agreed by their line manager and by the Director of Finance. Residency income should be calculated using an appropriate annual occupancy target rate.
- 6.7 A budgeted capital expenditure plan and consolidated cashflow forecast should also be prepared to supplement the budgeted income and expenditure account.
- 6.8 The Director of Finance will ensure that the income and expenditure budget 'squares off', and will renegotiate management spending plans when required.
- 6.9 The College should target an operational surplus, however the College should not predict less than a break-even position. This should then be projected over a 3-year period.
- 6.10 All budget holders will be presented with a draft budget that meets the needs of the College, and they will all be given an opportunity to review and feedback if necessary. KPI's will also be agreed.
- 6.11 All budget holders will be required to sign and date their budget as evidence of acceptance.
- 6.12 The budget will be presented to the Directorate, by the Director of Finance, for approval.
- 6.13 The General Purposes Committee will be presented with the College budget for approval, and recommended for acceptance to the Board of Governors. Upon approval, this should be expressly minuted.
- 6.14 The Head of Finance will be responsible for issuing monthly management reports and KPI's to budget holders within an agreed timescale and provide explanations to figures as required. In addition, monthly monitoring meetings should be held with all budget holders at which variances outwith thresholds should be investigated, noted and followed up at the next month's meeting.
- 6.15 Any amendment to the budget will be recorded on a budget approval form and appropriately signed, a copy of which will be sent to the budget holder.
- 6.16 Budget virement can be agreed between the budget holder and the Head of Finance confirmed at least by e-mail but in accordance with the financial regulations. These virements will be duly recorded on a designated form, a copy of which will be sent to the Director of Finance.

- 6.17 A comprehensive audit trail will be maintained in relation to the proposal and approval of budgets.
- 6.18 All employees responsible for raising orders through the PECOS system will be advised of the correct nominal coding procedures in order to reduce the level of any subsequent miscodings and to minimise the need for coding re-allocations. The Head of Finance will periodically review the codes in order to identify any miscodings and update accordingly.
- 6.19 All budgets proposals should be agreed and signed off before the commencement of the new financial year.
- 6.20 On the basis that budget funds are allocated on the basis of need and affordability, there should never be a 'stalemate' over the agreement of operational budgets.

## **7.0 Review**

- 7.1 This Policy will be reviewed every three years, or earlier if changes affect it in any way.