



# **ESSENTIAL FEATURES OF GOOD BUDGETING**

**Presentation by Tim Gordon  
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# THE BUDGET AS SCHOOL IMPROVEMENT TOOL

- “The budget is the school’s vision in practice”
- The SGB needs to interrogate, understand and support the school’s improvement plans
- The budget should therefore reflect the relative importance of the various components of the school, and ...
- ... take account of the aims, objectives and goals of the school’s strategic intentions ...
- ... as well as its short-term and long-term development plans

# THE BUDGETARY STRUCTURE

- All income and expenditure must be properly budgeted for (including 38A payments – must be shown as separate line item)
- The budget must take account of the historical situation in respect of bad debts and exemptions
- The budget must be presented to a budget meeting (AGM in some provinces) and passed by the parents
- It is only then formally adopted by the SGB and the adoption must be minuted
- By adopting the budget, I believe that the SGB is authorizing the expenditure of the budgeted amounts on the budgeted items
- The budget must be a balanced budget – you may not budget for either a surplus or deficit
- The school needs to budget for unexpected contingencies
- The budget may (I believe should) allow for reasonable reserves

# SOME BASIC

## DEPARTMENTAL PRESCRIPTIONS

- If the income is in respect of a charge levied by the school and/or collected by the school, through the school or in the name of the school it is school fund money
- This means it is in essence “public money” and is subject to the prescriptions of the relevant acts and regulations
- Expenditure must be reported on to the Department on a regular basis, as required
- The schools books (accounts) must be formally audited on an annual basis
- The audited accounts must be sent to the Department by 30 June every year

# SOME FURTHER

## DEPARTMENTAL PRESCRIPTIONS

- For public money, certain prescriptions exist:
  - It must be paid into the school's one-and-only bank account
  - Surplus funds or reserves may be put into a second account provided permission has been requested and granted
  - Receipts/payments must follow the laid down procedures – e.g.:
    - All money must be deposited into the bank account
    - It cannot be used in its cash format to pay accounts or for services
    - All payments must be approved/mandated in an acceptable manner and in documentary form (e.g. order form, signed approval, etc.)

# FINANCIAL OBLIGATIONS OF THE PRINCIPAL

- The principal plays a critical role in school finances
  - Must assist SGB with the management of school funds
  - Should not, however, try to “run” the finances
- “Assistance” must include:
  - Informing SGB of info related to conditions or directions imposed by Minister, MEC or HoD
  - Being a member of Fincom and any finance delegation
  - Advising SGB members on financial implications of any decisions
  - Taking all reasonable steps to prevent financial maladministration
  - Reporting any maladministration to the HoD

# SOME 'RULES OF THE GAME'

- The principal implements policy, does not determine policy
- It is the SGB that determines policy, but it should naturally be guided by the principal
- The principal is not the Accounting Officer – but nor is the Treasurer
- The Accounting Officer of any public school is the HoD
- The principal and Treasurer need to have a close professional understanding – right chemistry
- In the final analysis, bookkeeping comes down to common sense– if it seems right and sensible, it is probably good accounting practice

# THE ROLE OF THE PRINCIPAL IN BUDGETING

- Data gathering
  - Open, wide-ranging and transparent (“Bid book”)
- Training and guidance of staff
  - zero budgeting, realism, accuracy, foresight
- Evaluates bids against school’s mission
- Also needs to:
  - Prioritize requests
  - Consider sustainability
  - Remember maintenance



# SO HOW DO YOU BUDGET?

- Decide what income you can reasonably count on
  - N & S funding from the Department
  - School fees (if yours is a fee paying school – but be realistic about how much you will collect): you must make provision for bad debts and exemptions
  - Income from regular, reliable sources
    - Interest, rental agreements, etc.
  - Income from fundraising, sponsorships and donations, etc. – but this is sporadic, uncertain income, so be realistic around amounts, and spend from this pot only once you have collected
- Now decide how you want to spend your regular income – for the good of the children and their education

# CARDINAL SINS OF BUDGETING

- Overbidding
  - asking for a lot in the hope you will get a little
- Assuming that your budget must be bigger than last year's
  - Look at actual needs that are likely to arise in this accounting period/budget cycle
- Taking last year's figure and simply increasing it by a set %
  - aim rather for zero budgeting
- Budgeting for something because it's a "nice to have"
  - But without the means to use it, maintain it, or sustain it

# SCHOOL FEES, THE BUDGET AND THE SCHOOL PROGRAMME

- In a fee-paying school, if it is part of the school programme, it must be covered by the school fee
- You are entitled to define your programme – do so at the budget meeting – but realize:
  - You shouldn't try to be too clever
  - You cannot use state staff during school hours, and then specify that the activity lies outside of the school programme
  - You cannot use school time, and pretend that the activity is not part of the school programme
  - You can't take something which is obviously central to your programme, funded by fees, and say it isn't – for example the provision of the library, the use of a computer lab, participation in sport, attending school excursions
  - You cannot annexe money paid in for one reason and use it for another – tours, matric dance, etc.

# IMPORTANT FEATURES OF THE BUDGET

- Start with your budgetary assumptions
- Here you must show:
  - Expected enrolment for the year
  - % of bad debts
  - % allowed for rebates
  - % allotted to discounts
  - % allotted to scholarships
- The above gives you a total of non-collectables
  - Express it also as a %
- Now look at other sources of income

# DRAW UP AND SHOW YOUR “SUMMARY OF INCOME”

The following **MUST** be shown:

- Maximum possible fee collection
- Less total non-collectables which then gives you:
- Budgeted fee collection
- Additional budgeted income (estimate accurately as possible)
  - Departmental grants (norms and standards funding)
  - Departmental re-imbursement for school fee exemptions
  - Interest receivable
  - Rental income (hiring out of facilities)
  - Income from other sources (list on a separate sheet)
  - Estimated fundraising income
  - Total of additional budgeted income
- Total expected income expected for the year – i.e.
  - Fee income + additional income

# NOW DRAW UP YOUR “SUMMARY OF EXPENDITURE”

- Operating expenditure – such as, for example:
  - Education
    - Academic departments
    - Academic support
      - IT
      - LTSM
      - Library and media
      - Copying and printing
    - Culture
    - Sport
    - Other educational

# SUMMARY OF EXPENDITURE (CONTINUED)

- Administration
- Facilities and amenities
- Marketing liaison and PR
- Pastoral and counselling
- Personnel
- SIP implementation
- Transport
- Capital expenditure
  - Computer capital works and equipment purchased
  - New capital works and projects – e.g. gym, pool, Astro, clubhouse, tarring of driveways, etc.
  - Other capital equipment – e.g. printing machines, school bus
  - Replacement reserve – e.g. replace old tractor, bakkie, OHPs
  - Capital reserves

# SPENDING YOUR BUDGET

- All payments must be made by means of cheque (!), EFT or debit order
- The one exception to this is petty cash, which must be utilized/managed according to the imprest system
- For major purchases there must be three quotes
  - buy at best, not necessarily at cheapest price
  - take account of quality, service, compatibility
  - Compare apples with apples
- Must be at least two signatories/releases



# EXPENDITURE HAS BEEN BUDGETED, SO THIS BRINGS US TO MANAGEMENT OF EXPENDITURE

- Putting the basics in place
  - By adopting of the budget the SGB has approved the right of officials to spend accordingly
  - Must delegate in writing:
    - internal approval authority
    - signing authority for payments and releases
  - Must have in place approval process (orders, quotes)
  - All signatories must be appointed in writing
  - Must be a process in place for unbudgeted requirements
  - Need to appoint preferred and emergency suppliers
- Compare budget vs. expenditure every month –
  - pick up on any apparent anomalies

**Any questions?**

**Thank you!**