

BGA Governor Forum

24 January 2023

Finance

Mark Wood CFO Wellspring Academy Trust
m.wood@wellspringacademies.org.uk

Financial Matters

- Balance Sheets
- Format of Financial Information
- How is budget spent
- Benchmarking
- Questions Governors should be asking

Example Balance Sheet

	November 2022 £m	October 2022 £m
Fixed Assets		
- Land and Buildings	161.394	161.394
- IT Equipment	1.138	1.138
- Furniture and Equipment	1.612	1.612
- Motor	0.239	0.239
- Intangible Assets	0.029	0.029
Current Assets		
- Stock	0.000	0.000
- Debtors (Monies due to Trust)	0.193	0.281
- Prepayments and accrued income	-0.007	-0.007
- VAT (Monies due to Trust)	0.290	0.290
- Cash	17.227	18.105
Current Liabilities		
- Trade and other creditors (Amounts owed to suppliers)	-0.754	-1.181
- Accruals and deferred income	0.152	0.283
- Tax and Social Security & other salary 3 rd party creditors	-2.545	-1.765
Loans	-0.030	-0.030
Pension Deficit	-62.136	-62.136
TOTAL NET ASSETS	116.802	118.252
General Reserves	12.609	14.059
Restricted Fixed Asset Reserves	166.329	166.329
Pension Reserve	-62.136	-62.136
TOTAL RESERVES	116.802	118.252

Balance Sheet – Key Focus Areas

- Fixed Assets – current value of material assets – largely land and buildings on conversion – depreciated - statement of fact
- Current Assets
 - Debtors – monies due – consider value/length and any risk to recovery
 - Cash – Consider level of cash and question if invested (return) – link to cash flow forecasts – consider alongside monies due and owed
- Current Liabilities
 - Creditors – monies owed to suppliers – consider if excessive / payment performance and or any material disputes
- Pension Deficit – determined by fund valuations (impact on contributions)

Balance Sheet Reserves

- Restricted Fixed Asset – generally represents value of fixed assets
 - May also include an element of cash (Balance of Capital Grants)
- Pension Reserve – Equals Pension Deficit
- General Reserve – represents balance of useable resources
 - In the main what the cash value would be if all monies due were received and all monies owed were paid
 - Consider this in terms of management accounts position
 - Consider if excessive / set against investment plans and key priorities

Presentation of Financial Information

- Trust Handbook
 - Trust must prepare management accounts every month
 - Income / Expenditure Account
 - Variation to Budget Report
 - Balance Sheet – covered in previous section
 - Cash Flow
 - Management accounts must be shared with Chair every month and with other Trustees six times a year
 - Board to consider management accounts when meet

Presentation of Financial Information

- School Level
 - Overview financial position
 - Variance from previous reported position
 - Explanation of material changes
 - Medium term financial forecast
 - Any risks in terms of plans / assumptions
 - Outstanding debts
 - Pupil numbers forecasts
 - Premises update – devolved capital forecast
 - Any other useful information for context (ie ESFA announcements etc)
 - Detailed budget monitoring analysis and medium term budget forecast

Presentation of Financial Information

- Trust Level
 - Consolidation of all school/central positions (Appendix with all individual school positions attached)
 - Overview financial position
 - Variance from previous reported position
 - Explanation of material changes
 - Analysis of schools – highlight any challenges / risks / financial environment
 - Analysis of central position
 - Medium term financial forecast with commentary in terms of position
 - Any other relevant information

How is Budget Spent

- Budget is the financial interpretation of a school operational plan
- Influenced by funding (understand how funding made up)
 - Core Funding
 - Per pupil funding values
 - Deprivation / Free school meals
 - Low prior attainment
 - English as an additional language
 - Grants
 - Pupil Premium
 - Covid Catch Up
 - PE Sports
 - Other specific funding
- Plans should be determined by local needs and school priorities

How is Budget Spent (Primary National %)

- Staff (75%)
 - Teachers (43%)
 - Support Staff (21%)
 - Admin and Clerical (6%)
 - Other staff costs (5%)
- Premises (7%)
- Teaching Resources (5%)
- Other Costs (13%)

Benchmarking

- DFE Schools Financial Benchmarking Website
- DFE View My Financial Insights
- School Resource Management Self Assessment (Academies)
- Internal Benchmarking (Trusts)
- Other groups and networks

Benchmarking

- Allows schools to compare how they are funded and spend their money compared to other schools with a similar demographic profile
 - Useful for Primary/Secondary due to national funding model
 - Can be flawed for Special/Alternative due to inconsistency of funding
 - Is not an absolute measure as decisions taken relative to local context
 - Helpful to be able to understand and explain if an outlier and why
 - Additional spend on leadership may be due to school improvement needs
 - Additional spend on buildings may be due to historic underinvestment
 - Low spend on buildings may be if have a new build
 - Being an outlier in one area suggest an outlier in another
 - Eg spend balance between Teachers / Support staff

Benchmarking

- Integrated Curriculum Financial Planning
- Linking curriculum, staffing structure and finances
- Key Metrics:
 - Teacher Contact Ratio (10% PPA – 0.9) – ASCL Advocates 0.78 (Management)
 - Class sizes (26 Optimum)
 - Pupil Teacher ratios (20 Optimum)
 - Average Teacher Cost (£54,000)
 - Senior Leaders as % of Workforce (9%)

What questions should Governors be asking?

Questions For Governors to Ask

- Understand the original approved budget
 - What is driving spend in particular areas
 - Is the school aligning spend with school improvement needs
 - What is the staff structure and how does that align with school needs
 - How is spend aligned to specific funding and associated requirements
- If changes through the year – why and what is the operational impact
- What is the medium term forecast – stable / getting better/worse
- What is pupil number projection (and pupils with additional needs)
- What is operational thinking against medium term position
- What are level of reserves – any investment priorities
- Understand benchmarking and other key metrics
- Value for money on key contracts (non staff spend)