

BGA Governor Forum

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Finance

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Financial Matters

- Introduction
- Governor Competency Framework
- Balance Sheets
- Format of Financial Information
- Financial Planning
- Funding
- How is budget spent
- Value for Money
- Benchmarking
- Integrated Curriculum Financial Planning
- Questions Governors should be asking

Introduction

- Effective financial management more important than ever:
- Pressures associated with:
 - Pay Inflation (Teachers and Support Staff)
 - Energy Costs
 - General Inflation
 - Falling pupil numbers – low birth rates
- Funding Increases
 - 2024/25 final year of current spending review cycle
 - Increases beyond that unknown
 - Possible new Government
 - Covid catch up funding due to finish in current year
 - Additional funding for Teachers Pension increase

Introduction

- Expectations not reduced – Outcomes for children
 - Requires effective use of resources
- Safeguarding public money
 - Ensure value for money in all procurement
- Compliance with ESFA Academy Trust Handbook / Local Authority Scheme for Financing Schools
- Greater ESFA scrutiny
 - LA Schools required to have same level of compliance as Academies
 - ESFA – Deployment of School Resource Management Advisors

Governor Competency Framework

- Financial Frameworks and Accountability
 - ESFA Handbook / LA Scheme for Financing Schools
 - Scheme of Delegation
 - Finance Policies and Procedures (Financial Regulations)
 - Internal controls and financial reporting
 - School Financial Value Standard – Self Assessment
- Financial Management and Monitoring
 - Process for allocating resources – linked to impact and outcomes
 - Sustainable financial strategy and plans
 - Use of specific grants / impact on outcomes (Pupil Premium)
 - Budget setting requirements and timescales
- Staffing and Performance Management
 - Annual expenditure on staff and benchmark data relating to this
 - How structure aligns to operational outcomes and available resources

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

Financial Planning

- Budget is the financial interpretation of a school operational plan
- Plans should be determined by local needs and school priorities
 - School Strategic plan
 - Self Evaluation (SEF)
 - School Improvement Plan
 - Estates / ICT Plans
- Need to understand available funding and specific requirements
- Need to understand key financial metrics and benchmarking data
- Plans should cover 3-to-5-year period
- Consider effective use of reserves / balances

Funding

- Core Funding
 - Per pupil funding values (70%)
 - Deprivation / Free school meals
 - Low prior attainment
 - English as an additional language
- Grants
 - Pupil Premium
 - Covid Catch Up
 - PE Sports
 - Teacher Pay Grants
 - Other specific funding bid for
 - Devolved Formula Capital (For capital purposes – link to estates plans)
- Other
 - LA High Needs Funding (children with additional needs)
 - Early Years Funding (Nursery)
 - Pupil Meals Income
 - Lettings / Trips etc

How is Budget Spent (Primary National %)

- Staff (75%)
 - Teachers (43%)
 - Support Staff (21%)
 - Admin and Clerical (6%)
 - Other staff costs (5%)
- Premises (7%) – Estates and learning environment often overlooked
- Teaching Resources (5%)
- Other Costs (13%)
 - Professional Services (welfare / psychology / therapy)
 - ICT Support / Infrastructure / Equipment
 - Photocopiers
 - Catering

Value for Money

- DFE Framework Contracts
- Collaboration with other schools / Trusts
- Quotes and Tenders in line with procurement policy
- Benchmarking with other schools / Trusts

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

Integrated Curriculum Financial Planning

- 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)
 - Pupil / Adult ratios (8 Optimum) – whole school staff
 - Average Teacher Cost (£54,000) – 2021/22 Financial Data
 - 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)